

Pure Multi-Family REIT LP
2017 Annual Report

Investing in the Future



Park 28, Phoenix, Arizona

2017 AT A GLANCE

JANUARY

Acquired Pure Creekside Apartments
Acquired Lansbrook at Twin Creeks

FEBRUARY

Filed USD\$500 Million Base Shelf Prospectus

APRIL

Raised CAD\$92 Million Bought Deal
Sherry Tryssenaar Joins the Board

MAY

Commenced Property Management Internalization

JUNE

Acquired Park 28
Acquired Pinnacle at Union Hills
Raised CAD\$92 Million Bought Deal

JULY

Acquired PURE at La Villita

AUGUST

Tropical Storm Harvey Hits Houston

SEPTEMBER

Filed Normal Course Issuer Bid

OCTOBER

Acquired PURE Farmers Market

NOVEMBER

Acquired PURE Fillmore Apartments

DECEMBER

Completed Property Management Internalization

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All currency is in USD unless otherwise stated.

Over the course of 2017, we undertook significant steps to establish our fully-internalized, vertically integrated real estate platform.



Top to bottom: *PURE Creekside at Onion Creek*, Austin, Texas
Lansbrook at Twin Creeks, Dallas, Texas
Park 28, Phoenix, Arizona

Top to bottom: *Pinnacle at Union Hills*, Phoenix, Arizona
PURE at La Villita, Dallas, Texas
PURE Farmers Market, Dallas, Texas
PURE Fillmore Apartments, Phoenix, Arizona

Letter to Unitholders

Dear Fellow Unitholders,

2017 was a year of transformation for Pure Multi Family REIT LP, during which we expanded and high-graded our portfolio, improved our balance sheet, internalized our property management, and added key executives to our management team.

As part of our internalization process, we also invested in our future by upgrading our property and asset management software systems, which provides greater real-time analysis of all financial metrics throughout our portfolio. Our new systems include business intelligence and market analytics tools that provide a clearer view of trends within our sub-markets as they are developing, rather than looking in the rear-view mirror after they have occurred.

We also continued to expand and high-grade our portfolio in 2017. Choosing strong “path of growth” locations, we expanded our footprint in the Phoenix market with the acquisition of three assets totaling 646 units. We entered the Austin, Texas market with the addition of a new 276 unit community, and we continued to add to our Dallas holdings with three more property acquisitions totaling 934 units.

One of our key goals for 2017 was to improve our balance sheet. The debt to gross book value ratio across our portfolio was 53.4% as at December 31, 2017, representing an improvement of 180 basis points, compared to December 31, 2016. We have made a conscious effort to decrease our leverage ratios on new acquisitions. Of the seven acquisitions made during 2017, total debt of \$162 million was used to help fund the purchase prices, representing a leverage ratio of 49.3%. Although deleveraging can create a negative impact on payout ratios in the near term, we believe a conservative debt strategy is prudent for long term success in a rising interest rate environment.

We recognize that we are in a ‘people business’ providing homes and services for over 12,000 residents. Our people, the Pure Management Team, take this responsibility very seriously in striving to provide 5-Star Service. Our property management team has developed an acronym of our PURE name that captures our commitment in this area – **Providing Ultimate Resident Experience!**

As a team, we are excited about the continued growth of our platform. Our goal is to invest in the best quality apartment assets, situated in the most dynamic locations, in the some of the strongest growth cities in the U.S. Sunbelt.

During mid-2017, a short-term over-supply in some of our submarkets resulted in a slight dip in occupancy rates and an increase in rental concessions. We view these challenges as temporary pot-holes on the road, nonetheless we must steer around them as we continue on our path of growth and enhancing Unitholder value. As we are situated in strong growth Sunbelt markets, we believe that rental concessions will be short-lived and our rental growth rates will return to be near the top of our peer set in the Canadian REIT sector.

This year, Ms. Sherry Tryssenaar joined our board of directors and brought extensive experience and expertise to her position of Audit Chair. We would like to take this opportunity to recognize Mr. Douglas Scott, one of our founding directors, who retired in 2017. Mr. Scott provided a great deal of leadership, counsel, and support to Pure Multi Family REIT over our first five years, and we wish him all the best for the future.

As we look forward to 2018, the fundamentals of our business remain strong. The U.S. unemployment rate has trended down, consumer confidence is strong, and dramatic U.S. tax cuts are providing fertile ground for continued economic growth that we believe will benefit our portfolio. Our team is engaged and excited to continue growing Pure Multi Family REIT LP with a constant focus on enhancing Unitholder value.

In conclusion, I would like to thank our Unitholders for their support, and our over 170 employees for their hard work and dedication.

Yours truly,

“Steve Evans”

Stephen J. Evans
Chief Executive Officer

2017 Strategic Highlights

In 2017, we acquired seven multi-family properties comprised of 1,856 residential units for a combined purchase price of \$328.3 million.

We announced a new secured credit facility totaling \$50 million, including an accordion feature that allows for increased borrowing capacity of up to \$100 million.

The new acquisitions had an average year of construction of 2010, improving our overall portfolio's average year of construction to 2007.

December 31, 2017

Investment Properties	22
Residential Units	7,085
Average Unit Size.....	910 sf
Acres.....	351
Weighted Average Physical Occupancy ⁽¹⁾	93.7%
Weighted Average Leased Occupancy ⁽¹⁾	95.0%
Average Year of Construction	2007
Fair Market Value.....	\$1.13 Billion
Debt to Gross Book Value	53.4%
Average Rent per Occupied Unit ⁽¹⁾	\$1,267
Weighted Average Interest Rate	3.72%
Weighted Average Mortgage Term.....	8.9 years

⁽¹⁾ For the month of December 2017.

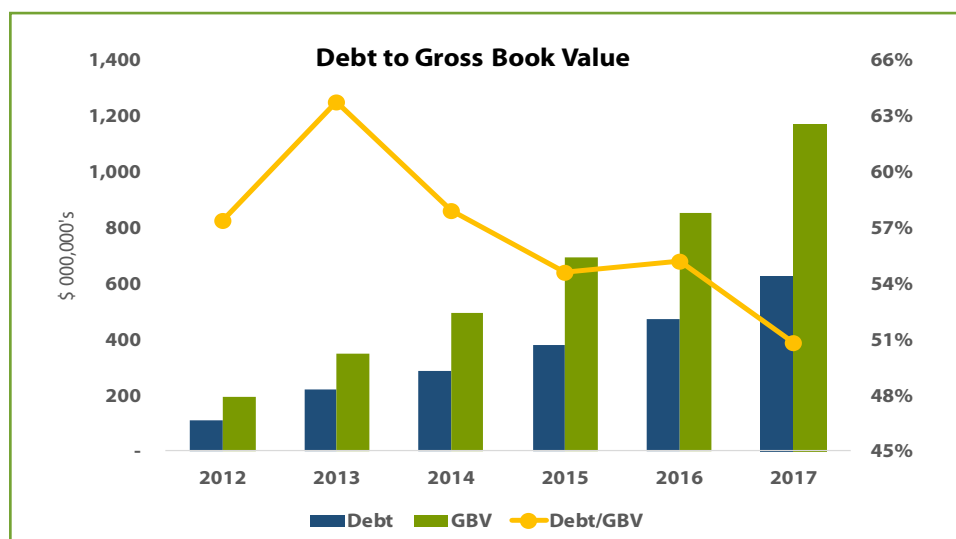


PURE View at TPC, San Antonio, Texas



Deleveraging the Balance Sheet

The Debt-to-Gross Book Value Ratio across Pure Multi-Family's portfolio was 53.4% as at December 31, 2017, representing an improvement of 180 basis points compared to December 31, 2016. Management has made a conscious effort to decrease leverage on new acquisitions to improve overall portfolio leverage ratios as Pure Multi-Family continues to pursue growth. Pure Multi-Family incurred total debt of \$162 million, representing a leverage ratio of 49.3%, to partially fund the seven acquisitions completed during 2017.



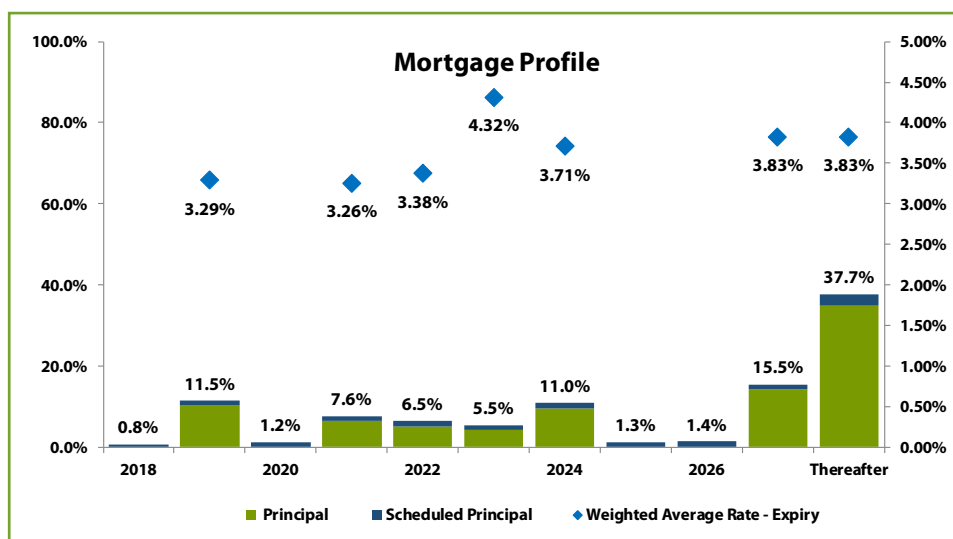
Although deleveraging has created a negative impact on payout ratios in the short term, management believes it is the fiscally responsible approach to ensure our long term stability and success.



The Boulevard at Deer Park, Houston, Texas

Deleveraging the Balance Sheet

Pure Multi-Family has strategically negotiated low leverage fixed rate mortgages featuring 7, 10, 12 and 15 year terms in order to stagger mortgage maturities. Across our portfolio our weighted average term to maturity is 8.9 years, which is amongst the longest average terms of Canadian REITs. Currently our mortgage weighted average interest rate is 3.72% and 87.7% of our mortgages mature after 2020.



San Brisas, Phoenix, Arizona

Property Management Internalization

By December 2017, Pure Multi-Family completed the internalization of our property management function. Although there were some duplication of costs incurred during the transition phase, all properties were successfully transitioned in-house from external property management during the year.

Our internal, vertically-integrated, property management platform will enable us to build our brand and expand our presence in our target markets, while enhancing operational efficiencies across our platform.

As of October 1, 2017, we ceased paying external property management fees. We estimate the internal cost of our property management function to be approximately 2.5% of revenues on our current portfolio moving forward, a significant savings from the historical 3% of revenues which was previously paid to an external party.

Management believes the internalization of the property management function will be accretive to unitholders and drive per unit cash flow growth over the long-term.

As we maintain our commitment to our team to provide a positive, exciting and supportive work environment, engendering enthusiasm for our company becomes increasingly self-fulfilling. This permits us to focus on executing and delivering solid, measurable results that benefit all Unitholders.



Park at West Ave, San Antonio, Texas

An Institutional Quality Portfolio

Property	Location	Submarket	Acquisition Date	Year of Construction	Units	Average Unit Size (sf)
Stoneleigh Valley Ranch	DFW, TX	Irving, TX	18-Jul-12	1999	210	991
Prairie Creek Villas	DFW, TX	Richardson, TX	11-Oct-12	1997	464	1,000
Stoneleigh at Bear Creek	DFW, TX	Euless, TX	31-Oct-12	2004	436	962
Vistas at Hackberry Creek	DFW, TX	Irving, TX	6-Jun-13	1984	560	777
Fountainwood Apts	DFW, TX	Euless, TX	30-Aug-13	1986	288	795
The Preserve at Arbor Hills	DFW, TX	Plano, TX	28-Aug-14	1998	330	940
Amalfi Stonebriar	DFW, TX	Frisco, TX	10-Aug-15	2014	395	811
Avenue on Fairmount	DFW, TX	Dallas, TX	14-Sep-16	2015	368	829
Lansbrook at Twin Creeks	DFW, TX	Allen, TX	27-Jan-17	2002	288	961
PURE at La Villita	DFW, TX	Irving, TX	11-Jul-17	2007	306	918
PURE Farmers Market	DFW, TX	Dallas, TX	2-Oct-17	2016	340	824
Totals & Weighted Averages				2005	3,985	886
The Boulevard at Deer Park	Houston, TX	Deer Park, TX	21-Jun-13	2000	216	934
Broadstone Walker Commons	Houston, TX	League City, TX	27-Jun-14	2008	352	928
Totals & Weighted Averages				2005	568	930
Park at West Ave	San Antonio, TX	San Antonio, TX	7-May-15	2014	360	898
Brackenridge at Midtown	San Antonio, TX	San Antonio, TX	30-Sep-15	2014	282	852
PURE View at TPC	San Antonio, TX	San Antonio, TX	1-Mar-16	2014	416	943
PURE Estates at TPC	San Antonio, TX	San Antonio, TX	1-Mar-16	2007	344	1,135
Totals & Weighted Averages				2012	1,402	960
San Brisas	Phoenix, AZ	Chandler, AZ	28-Aug-14 & 1-Oct-13	1996	208	1,006
Park 28	Phoenix, AZ	Phoenix, AZ	9-Jun-17	2015	152	826
Pinnacle at Union Hills	Phoenix, AZ	Phoenix, AZ	15-Jun-17	1996	264	1,019
PURE Fillmore Apartments	Phoenix, AZ	Phoenix, AZ	29-Nov-17	2016	230	934
Totals & Weighted Averages				2006	854	959
PURE Creekside at Onion Creek	Austin, TX	Austin, Texas	25-Jan-17	2016	276	828
Totals & Weighted Averages				2016	276	828
Portfolio Totals & Weighted Averages				2007	7,085	910

Portfolio as at December 31, 2017.

Portfolio Strategy

Since 2012, Pure Multi-Family’s strategy has been to acquire a high-quality apartment portfolio located in the strongest growth markets within the U.S. Sunbelt region.

Pure Multi-Family employs a particular focus on asset selection that involves choosing assets that include unique features that inherently create a barrier-to-entry from competition, either in their unique in-fill locations, or through other locational attributes such as golf course frontages, large water features, or expansive views of neighbouring nature preserves. Such attention to detail on asset selection pays dividends in terms of generating top-line revenue growth and potentially reducing tenant turnover.

Our diligent and active management style includes re-positioning our properties through value-add initiatives. We look to opportunistically divest select assets from time to time. Our goal is to renew our portfolio by acquiring newer, higher-quality assets to improve the quality of our overall portfolio.

During 2017, we added seven high-quality, resort-style properties to the Pure Multi-Family portfolio, one of which is located in a new market for us, Austin, Texas. With the addition of Austin to our current markets, we now have expanded our presence to five strong markets within Texas and Arizona.

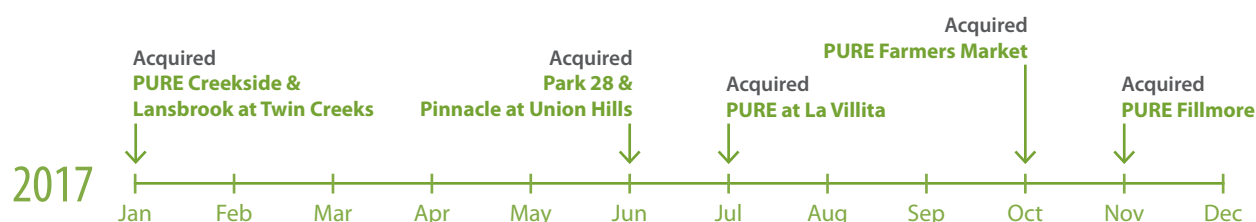
The acquisitions that we completed in 2017 helped to renew our portfolio as the seven properties acquired had an average year of construction of 2010, bringing our overall portfolio’s average year of construction to 2007 at the end of the year.

Although there are long-term benefits of owning and operating high-quality, newly constructed properties, we experienced some initial short-term challenges. As we have encountered over the last few quarters, occupancy rates of the newly constructed properties still in stabilization tend to be at a slightly decreased occupancy level compared to our portfolio average, as they transition through a stabilization period.

Once fully stabilized, which we anticipate being anywhere from a few months to 18 months from acquisition date, we expect these newer-built assets to be operating at or above our portfolio average occupancy rates. Newly constructed assets produce higher rental rates and lower capital expenditures, leading to improved net rental income margins.



Avenue on Fairmount, Dallas, Texas



FEATURE PROPERTY: PURE Fillmore Apartments, Phoenix, Arizona



On November 29, 2017, we acquired Fillmore Apartments located in Phoenix, Arizona for a purchase price of \$55.95 million. Upon closing, the property was rebranded as PURE Fillmore Apartments.

Developed in 2016, PURE Fillmore is an institutional-quality multi-family asset comprising 230 units with an average unit size of 934 square feet. The property is located **in the path of growth** on four acres near Fillmore Street and Seventh Avenue and offers residents excellent walkability and bike access to the many amenities found in Downtown Phoenix.

Central and Downtown Phoenix continue on a heightened pace of redevelopment as the city looks to revitalize and transform Downtown Phoenix into a desirable urban living environment, by adding a wide array of employment, transportation, entertainment, and education services.

PURE Fillmore is ideally situated between Downtown Phoenix and Roosevelt Row, Phoenix's renowned Arts District. PURE Fillmore is a convenient two minute walk from the community's airport shuttle

service/Bee Line Transportation, and within a five minute stroll from popular specialty colleges Rio Salado and Southwest School of Woodworking, forming a vibrant and innovative community. The PURE Fillmore property itself features artwork from local artists and architectural features that honour the heritage and style of this iconic neighbourhood.

PURE Fillmore offers several unique and state-of-the-art features and amenities. Many units also come with electronic entry locks, private balconies and covered parking. High tech packages are also available in select suites featuring audio visual upgrades including wall speakers and Bluetooth capabilities.

PURE Fillmore features a rooftop lounge with gorgeous views of downtown Phoenix, pet areas featuring dog washing stations and a fenced dog run, a club room with a 13-foot television, a demonstration kitchen, ultra-luxe pool, spa, cabanas with towel service, bike shop, gas grills, and an on-site coffee shop which delivers food and beverage items directly to residents in their apartment units, or to the pool deck, as needed.

FEATURE PROPERTY: PURE Farmers Market, Dallas, Texas



On October 2, 2017, we acquired the Farmers Market Apartments for a purchase price of \$66.35 million. Upon closing, we rebranded the property as PURE Farmers Market.

PURE Farmers Market is an immaculate Class “A” institutional quality asset in a prime core location, featuring market-leading amenities such as gas stoves, bicycle rentals, four electric car charging stations, stained concrete floors and twelve foot ceilings on all first floor units, 67 package delivery lockers, 17 private yards, a state-of-the-art fitness center with TRX equipment, spa showers, wine racks, and more.

PURE Farmers Market also offers a true **Live, Work, Play** experience as it is within ten minutes of the Dallas Central Business District (“CBD”), and is within walking distance of some of Dallas’ most popular restaurants, bars, and entertainment venues.

The Dallas CBD is the largest employment center in North Texas as approximately 135,000 people work in the downtown area. During the last 24 months, more than 40 companies moved operations downtown, occupying two million square feet of office space and

bringing in 7,500 new employees. Today, the Dallas CBD is home to over 2,500 businesses, including 200 corporate or regional headquarters including AT&T, Comerica, Neiman Marcus, JPMorganChase, Goldman Sachs, and Invesco.

PURE Farmers Market is located adjacent to the recently transformed Dallas Farmers Market, a 26,000 square foot open-air farmers’ pavilion offering local seasonal produce, naturally raised meats, eggs, cheeses, and other goods from local food artisans.

The Deep Ellum Entertainment district is one of the top restaurant and entertainment destinations in Dallas, including several of the top restaurants in DFW. Deep Ellum also features a wide variety of music venues, bars and nightlife, trendy retail, chef-driven restaurants, gastro pubs, coffee shops and casual eateries.

Over the last several years, Deep Ellum and Dallas Farmers Market have become innovative, pedestrian friendly, mixed-use urban hubs that residents of PURE Farmers Market routinely enjoy.

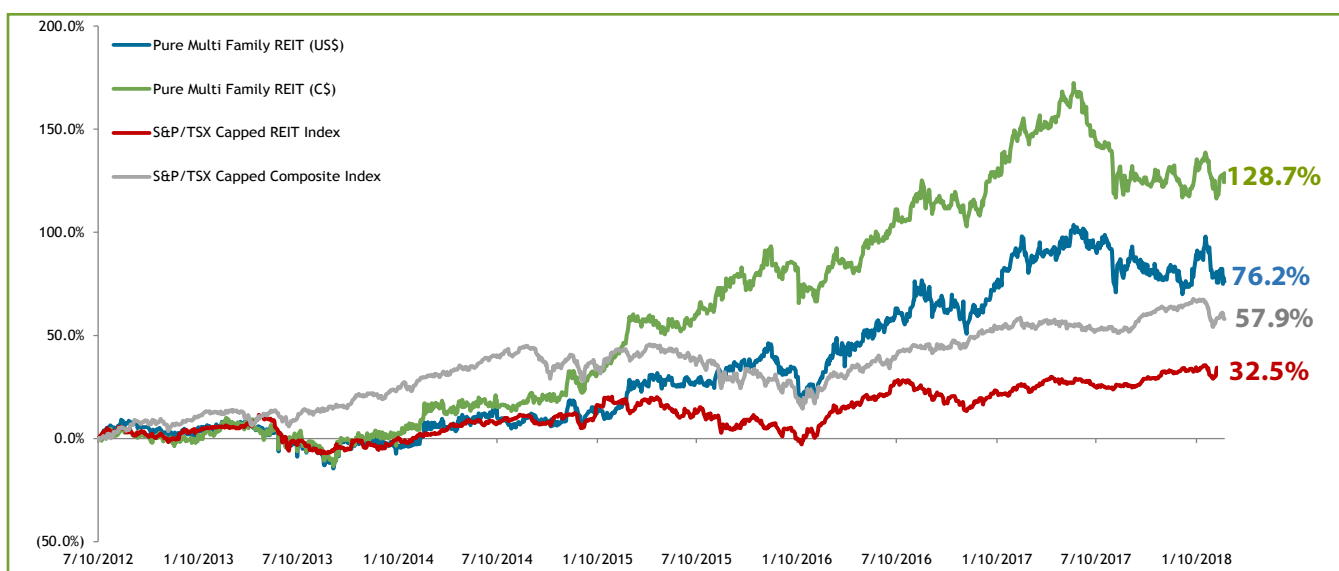
Financial Highlights

FOR THE YEAR ENDED DECEMBER 31

(\$000's, except unit amounts and average rent)	2017	2016	Change
Rental Revenue - Same Property⁽¹⁾	\$61,653	\$60,042	2.7%
Rental Revenue - Total	\$93,099	\$76,414	21.8%
Net Rental Income - Same Property⁽¹⁾	\$34,869	\$33,608	3.8%
Net Rental Income - Total	\$49,859	\$41,692	19.6%
Average Rent Per Occupied Residential Unit - Same Property⁽¹⁾	\$1,215	\$1,170	3.8%
Average Physical Occupancy - Same Property⁽¹⁾	95.5%	96.1%	(60bps)

⁽¹⁾ Same Property - represents properties owned as at January 1, 2016 and throughout the comparative period.

TOTAL RETURNS SINCE IPO



Total Returns	RUF.U (TSX-V) USD	RUF.UN ⁽¹⁾ (TSX-V) CAD	S&P/TSX Capped REIT Index	S&P/TSX Capped Composite Index
YTD	1.0%	3.4%	(1.1%)	(4.7%)
1 Year	(6.7%)	(8.0%)	5.7%	1.9%
2 Years	33.2%	29.4%	21.0%	25.2%
3 Years	50.9%	56.7%	11.2%	10.1%
Since IPO	76.2%	128.7%	32.5%	57.9%

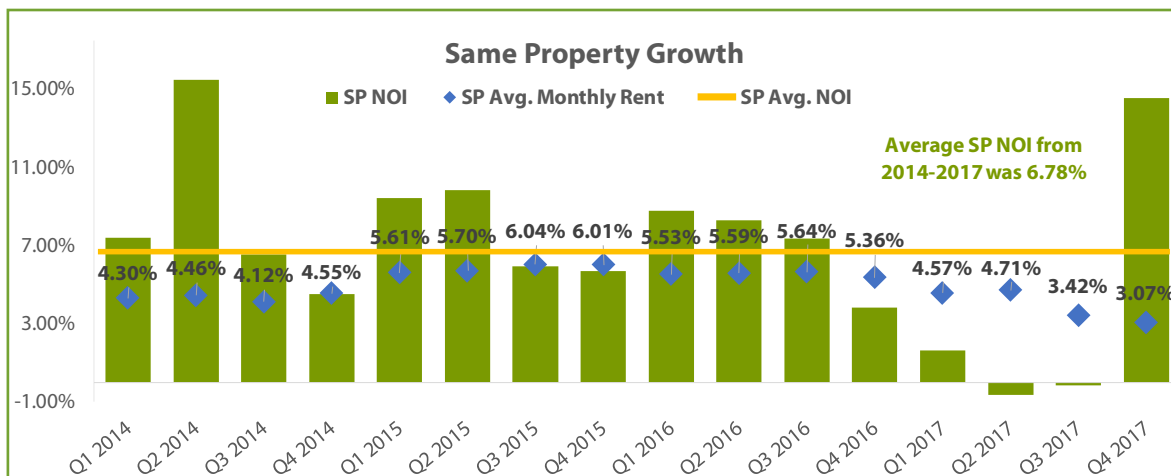
Since the IPO in 2012, Pure Multi-Family has outperformed the S&P/TSX Capped REIT Index and the S&P/TSX Capped Composite Index.

When translated into Canadian dollars, the total returns significantly outperform these indices.

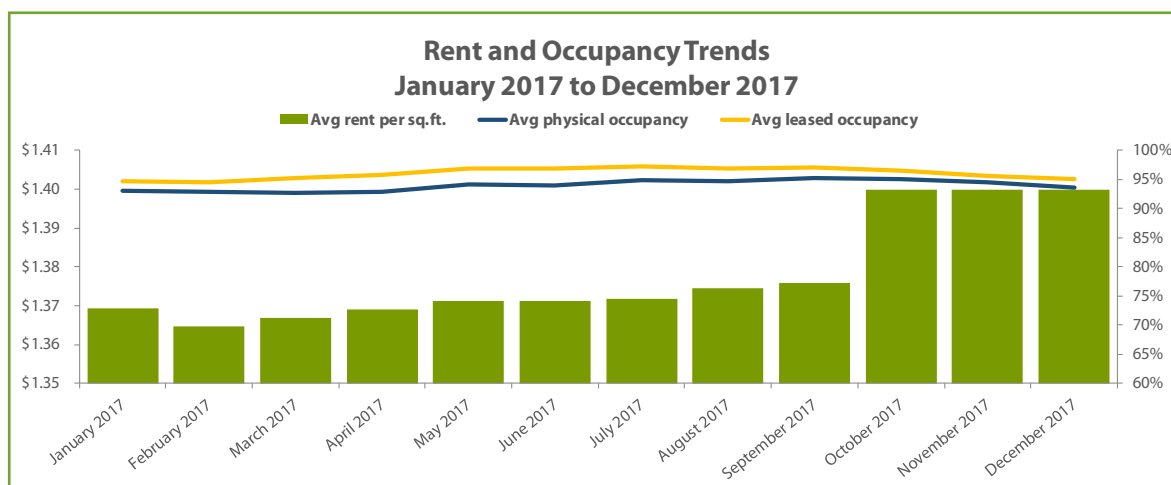
Source: Bloomberg
As at March 2, 2018.

⁽¹⁾ Prior to launch of the C\$ ticker on July 2, 2014, the C\$ values were calculated based on the US\$ ticker converted at the daily spot exchange rate.

Financial Highlights - con't



Same Property as compared to properties owned as of the beginning of the previous year.



The Preserve at Arbor Hills, Dallas, Texas

LOOKING AHEAD:

Internalized, vertically-integrated, property management platform

U.S. tax reform has created fertile ground for positive economic growth

U.S. apartment fundamentals continue to be strong

Greater growth potential in U.S. versus Canadian market

Job and population growth are fundamental drivers of apartment demand and our core and target markets continue to experience considerable economic growth and are nearing full employment levels, which is expected to continue with the passing of the recent U.S. tax reform bill.

U.S. Tax Reform has also reduced incentives for first time homeowners which may reinforce demand for rental apartments in the U.S.

With the internalization of the property management and the asset management functions, Pure Multi-Family is now a fully vertically integrated organization, which we believe will enhance unitholder value going forward through improved efficiencies, by way of streamlining processes, in addition to the elimination of external property management fees. A Special Committee has been formed to undertake

a strategic review of all options, including the potential sale of Pure Multi-Family. Our migration to the TSX has been delayed pending the outcome of the strategic review.

Our intention is to increase our portfolio holdings in our current growth markets, as well as to expand our platform operations to include additional strong growth Sunbelt markets, that offer similar compelling demand drivers.

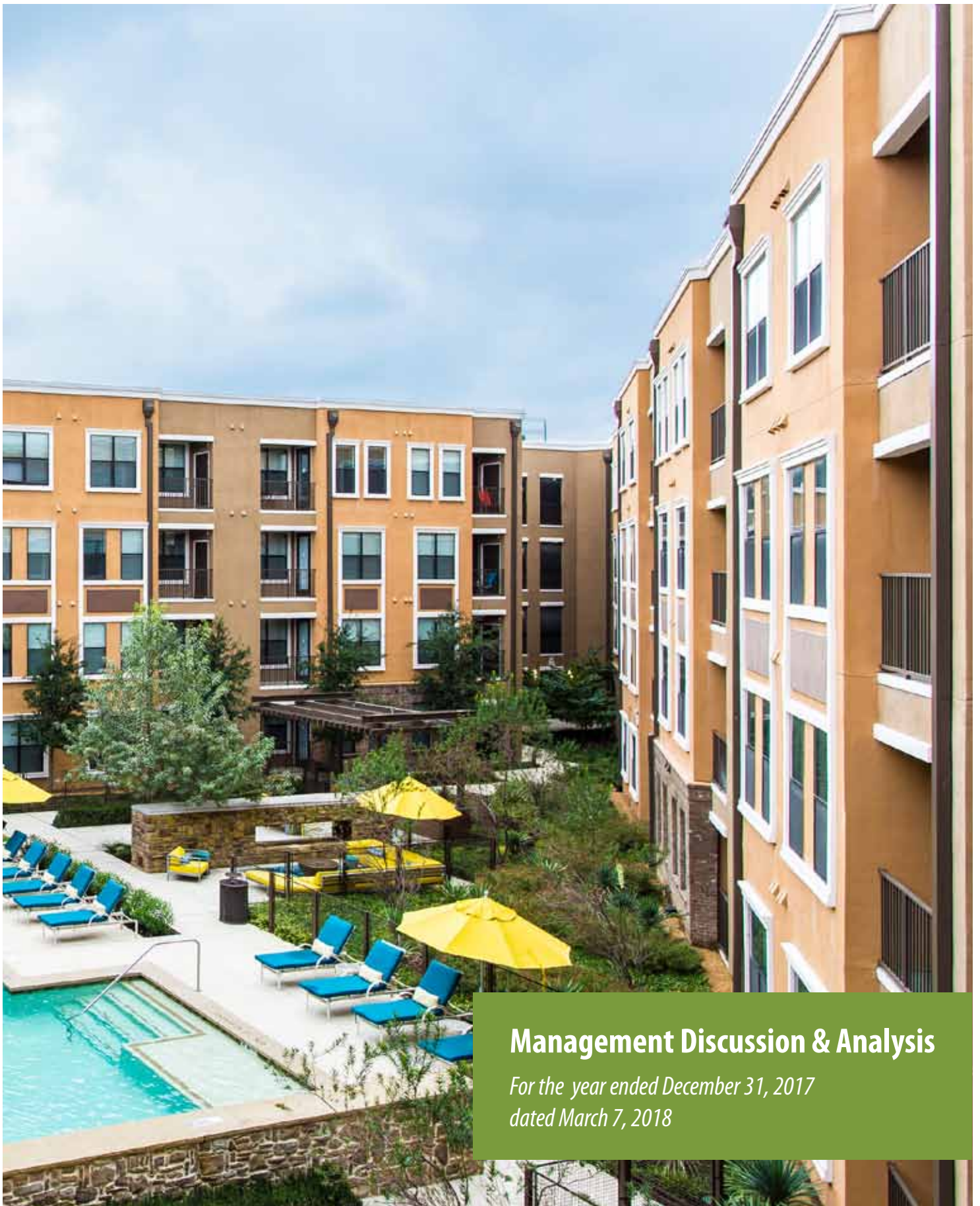
With the robust pipeline of high-quality apartment properties available for sale in these markets, coupled with stable capitalization rates and continuing favourable interest rates, we believe Pure Multi-Family is well positioned to continue its strong growth over the coming years, thus enhancing unitholder value further.



Broadstone Walker Commons, Houston, Texas



Amalfi Stonebriar, Dallas, Texas



Management Discussion & Analysis

*For the year ended December 31, 2017
dated March 7, 2018*

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SECTION I**FORWARD-LOOKING DISCLAIMER**

The following management's discussion and analysis ("MD&A") of the results of operations and the financial condition of Pure Multi-Family REIT LP ("Pure Multi-Family") for the year ended December 31, 2017 should be read in conjunction with Pure Multi-Family's audited consolidated financial statements for the year ended December 31, 2017, available on SEDAR at www.sedar.com and on Pure Multi-Family's website at www.puremultifamily.com. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information in this MD&A contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements made or implied under the headings "Outlook", "Results of Operations", "Financial Condition", "Liquidity and Capital Resources" and "Risks and Uncertainties" relating to Pure Multi-Family's objectives, strategies to achieve those objectives, beliefs, plans, estimates, projections and intentions; and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by words such as "outlook", "believe", "expect", "may", "anticipate", "should", "intend", "estimates" and similar expressions.

In particular, certain statements in this MD&A discuss Pure Multi-Family's anticipated future events. These statements include, but are not limited to:

- (i) Pure Multi-Family's growth strategy, including the accretive acquisition of properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in the cost of capital;
- (ii) maintaining occupancy levels and rental revenue, which could be impacted by changes in demand for Pure Multi-Family's properties, financial circumstances of tenants, including tenant defaults, the effects of general economic conditions and supply of competitors' properties in proximity to Pure Multi-Family's properties;
- (iii) overall indebtedness levels, which could be impacted by the level of acquisition activity Pure Multi-Family is able to achieve, fair value of its properties and future financing opportunities;
- (iv) tax status of Pure US Apartments REIT Inc., which can be impacted by regulatory changes enacted by governmental authorities;
- (v) anticipated distributions and payout ratios, which could be impacted by capital expenditures, results of operations and capital resource allocation decisions;
- (vi) obtaining and maintaining adequate insurance for Pure Multi-Family's properties; and
- (vii) anticipated interest rates and exchange rates.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results. Those risks and uncertainties include, among other things, risks related to: unit prices; liquidity; credit risk and tenant concentration; interest rate and other debt related risk; tax risk; ability to access capital markets; lease rollover risk; competition for real property investments; environmental matters; changes in legislation; and indebtedness of Pure Multi-Family.

Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions and information currently available, which include, management's current expectations, estimates and assumptions that: proposed acquisitions will be completed on the terms and basis agreed to by Pure Multi-Family, property acquisition and disposition prospects and opportunities will be consistent with Pure Multi-Family's experience over the past 12 months, the multi-family residential real estate market in the "Sunbelt" region in the United States will remain strong, the global economic environment will remain stable, interest rates will remain low relative to historic norms, and Pure Multi-Family's business strategy, plans, outlook, projections, targets and operating costs will be consistent with Pure Multi-Family's experience over the past 12 months, Pure Multi-Family will be able

to maintain occupancy at current levels, tenants will not default on lease terms, governmental regulations and taxation will not change to adversely affect Pure Multi-Family's business and financial results, and Pure Multi-Family will be able to obtain adequate insurance and financing; however, management can give no assurance that actual results will be consistent with these forward-looking statements.

Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to Pure Multi-Family, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

These forward-looking statements are made as of March 7, 2018 and Pure Multi-Family assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

BASIS OF PRESENTATION

Unless otherwise noted, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial information included in this MD&A for the year ended December 31, 2017 includes material information up to March 7, 2018. Except as otherwise stated in this MD&A, all dollar amounts in this MD&A, including per unit amounts, are stated in U.S. dollars.

All references herein to "consolidated" refer to amounts as reported under IFRS. All references to "Pure Multi's interest" refer to a non-IFRS measure presented on a proportionally consolidated basis and assumes Pure Multi-Family prorates and accrues property tax liability and expense based on the time period of ownership throughout a given reporting year. For a reconciliation of Pure Multi-Family's results of operations (consolidated to Pure Multi's interest), see "Results of Operations Reconciliation".

Certain figures in this MD&A are non-IFRS measures, including, Pure Multi's interest, Funds from Operations or FFO, Adjusted Funds from Operations or AFFO, same property net rental income, same property revenue, same property average monthly rent per occupied unit, rental revenue - same property, rental revenue - properties acquired/sold, net rental income - same property and net rental income - properties acquired/sold. For an IFRS to non-IFRS reconciliation, see "Results of Operations Reconciliation" and "Liquidity and Capital Resources – Funds from Operations and Adjusted Funds from Operations".

OVERVIEW

About Pure Multi-Family

Pure Multi-Family is a Canadian-based, vertically integrated, internally managed, publicly traded vehicle which offers investors exclusive exposure to U.S. multi-family real estate assets. It offers investors the ability to participate in monthly distributions, with potential for capital appreciation, stemming from ownership of quality apartment assets located in core cities within the Southwestern and Southeastern portions of the U.S., including states such as Texas, Arizona, Georgia and Nevada (collectively, the "Sunbelt").

Pure Multi-Family is a limited partnership formed under the Limited Partnership Act (Ontario) to indirectly invest in multi-family real estate properties in the United States. Pure Multi-Family was established by Pure Multi-Family Management Limited Partnership (the "Managing GP"), its managing general partner, and Pure Multi-Family REIT (GP) Inc. (the "Governing GP"), its governing general partner, pursuant to the terms of a Limited Partnership Agreement (the "LP Agreement"), dated May 8, 2012, as amended and restated May 28, 2015 and as amended August 21, 2015, and as may be amended from time to time. Pure Multi-Family's head office and address for service is located at 910 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. Pure Multi-Family's property management office is located at 450 – 5810 Tennyson Parkway, Plano, Texas, 75024. A copy of the LP Agreement can be obtained from the Chief Financial Officer of Pure Multi-Family and is available on SEDAR at www.sedar.com.

Pure Multi-Family, through Pure US Apartments REIT Inc. (the “US REIT”), was established for, among other things, the purposes of acquiring, owning and operating multi-family real estate properties in the United States.

Operational and Financial Highlights (all metrics stated at Pure Multi’s interest ⁽¹⁾)

	As at		
	December 31, 2017	December 31, 2016	December 31, 2015
Number of properties	22	15	14
Number of residential units	7,085	5,229	4,437
Portfolio average year of construction	2007	2006	2003
Physical occupancy	93.7%	92.8%	96.2%
Leased occupancy	95.0%	94.9%	97.3%
Investment properties (000’s)	\$ 1,133,501	\$ 778,547	\$ 613,682
Mortgages payable (000’s)	\$ 576,253	\$ 447,827	\$ 354,202
Credit facility (000’s)	\$ 25,762	-	-
Weighted average effective interest rate on mortgages payable	3.72%	3.74%	3.72%
Loan to gross book value	53.4%	55.2%	54.6%

<i>Pure Multi’s interest</i> (<i>\$000’s, except per unit basis</i>) (<i>all per unit amounts based on basic weighted average number of units outstanding</i>)	For the year ended December 31, 2017	For the year ended December 31, 2016	For the three months ended December 31, 2017	For the three months ended December 31, 2016
Total rental revenue ⁽²⁾	\$ 93,099	\$ 76,414	\$ 26,200	\$ 20,116
Total operating expense ⁽²⁾	43,240	34,722	11,124	9,845
Total net rental income ⁽²⁾	49,859	41,692	15,076	10,271
Net rental income margin	53.6%	54.6%	57.5%	51.1%
Basic weighted average number of units outstanding				
Class A Units	68,926,987	51,553,540	76,726,771	55,418,872
Class B Units	200,000	200,000	200,000	200,000
Funds from operations ⁽²⁾⁽³⁾	22,684	20,207	7,526	4,584
per Class A Unit	0.32	0.37	0.10	0.08
per Class B Unit	4.22	4.90	1.26	1.05
Payout ratio	119.9%	101.5%	98.9%	119.7%
Adjusted funds from operations ⁽²⁾⁽³⁾	21,146	18,981	7,073	4,262
per Class A Unit	0.30	0.35	0.09	0.07
per Class B Unit	3.94	4.60	1.19	0.98
Payout ratio	128.6%	108.0%	105.2%	128.8%

Notes:

- (1) The adjustments from the IFRS measure to Pure Multi’s interest (non-IFRS measure) is limited to the prorating and accrual of the property tax liability and expense on all portfolio investments, based on the time period of ownership throughout the given reporting year. As a result, balances other than property tax expense and the corresponding fair value adjustments present directly to the IFRS financial statements.
- (2) For an IFRS to non-IFRS reconciliation, see “Results of Operations Reconciliation” and “Liquidity and Capital Resources – Funds from Operations and Adjusted Funds from Operations”.
- (3) Restated FFO and AFFO amounts for the three months and year ended December 31, 2016 to remove amortization of transaction costs and mortgage prepayment expense.

During the year ended December 31, 2017, Pure Multi-Family acquired seven investment properties, comprised of 1,856 residential units for a combined purchase price of \$328.3 million. These properties were acquired with cash, cash held in trust, new mortgage financing in the amount of \$133 million and funds advanced through a new corporate level credit facility. These acquisitions resulted in Pure Multi-Family improving its portfolio average year of construction to 2007 as at December 31, 2017, compared to 2006 as at December 31, 2016, and 2003 as at December 31, 2015.

Pure Multi-Family continues to maintain a conservative debt profile with a current average interest rate on mortgages payable of 3.72% per annum and an average mortgage term to maturity of 8.9 years.

For the year ended December 31, 2017, rental revenue was \$93,098,656 and net rental income was \$49,858,162, representing increases of \$16,684,297 and \$8,166,498, respectively, compared to the prior year. For the three months ended December 31, 2017, rental revenue was \$26,200,371 and net rental income was \$15,075,978, representing increases of \$6,084,487 and \$4,804,786, respectively, compared to the same period in the prior year.

For the year ended December 31, 2017, net rental income margin decreased to 53.6% from 54.6% in the prior year, and for the three months ended December 31, 2017, net rental income margin increased to 57.5% from 51.1% compared to the three months ended December 31, 2016. The decrease in net rental income margin for the year was primarily driven by an increase in property tax expense, which was partially offset by the decrease in property management fees. The increase in the three months ending December 31, 2017 compared to the prior year quarter is primarily due to timing on the settlement of property tax appeals and the reduction in property management fees.

For the year ended December 31, 2017, Pure Multi-Family earned an average monthly rent per occupied unit of \$1,250 or \$1.370 per square foot, across its entire portfolio (year ended December 31, 2016 - \$1,212 and \$1.310, respectively), representing an increase in the average monthly rent of an occupied unit of 3.1%, or 4.6% per square foot, over the prior year. Pure Multi-Family earned an average monthly rent per occupied unit of \$1,264 or \$1.388 per square foot, across its entire portfolio for the three months ended December 31, 2017 (three months ended December 31, 2016 - \$1,244 and \$1.356, respectively), representing an increase in the average monthly rent of an occupied unit of 1.6%, or 2.4% per square foot, compared to the same period in the prior year.

For the year ended December 31, 2017, the FFO payout ratio increased to 119.9% from 101.5% and the AFFO payout ratio increased to 128.6% from 108.0% compared to the year ended December 31, 2016. For the three months ended December 31, 2017, compared to the three months ended December 31, 2016, the FFO payout ratio decreased to 98.9% from 119.7% and the AFFO payout ratio decreased to 105.2% from 128.8%. The increases in the FFO and AFFO payout ratios for the year ended December 31, 2017 compared to the same period in the prior year were primarily due to the bought deal equity offerings completed during the current year combined with the timing of the deployment of the proceeds used for acquisitions therefrom, an increase in property tax expenses, the additional general and administrative expense incurred due to the internalization of the property management and asset management functions, and the lowering of the overall leverage of Pure Multi-Family's statement of financial position. The decreases in the FFO and AFFO payout ratios for the three months ended December 31, 2017 compared to the same period in the prior year were primarily due to the elimination of the payment of property management fees, as all investment properties were fully transitioned internally by September 30, 2017, and from the settlement of the remaining prior year property tax appeals.

During the year ended December 31, 2017, Pure Multi-Family internalized its property management function and moved all property management related services under the US REIT. All investment properties were fully transitioned by September 30, 2017, resulting in no property management fees being expensed across the portfolio during the three months ended December 31, 2017, resulting in an increase in the net rental income margin. No penalties were incurred upon termination of the property management agreement.

Same Property Analysis (all metrics stated at Pure Multi's interest)

Pure Multi's interest Rental revenue – same property ⁽¹⁾ (by location) January 1, 2016 base portfolio (\$000's)	For the year ended			
	December 31, 2017	December 31, 2016	\$ Change	% Change
Dallas - Fort Worth, Texas	\$ 40,203	\$ 38,910	\$ 1,293	3.3%
Houston, Texas	8,421	8,375	46	0.6%
San Antonio, Texas	10,032	9,902	130	1.3%
Phoenix, Arizona	2,997	2,855	142	5.0%
Total – same property ⁽¹⁾	61,653	60,042	1,611	2.7%
Total – properties acquired/sold ⁽²⁾	31,446	16,372	15,074	92.1%
Total rental revenue	\$ 93,099	\$ 76,414	\$ 16,685	21.8%

Notes:

- ⁽¹⁾ Same property (non-IFRS measure) - represents properties owned as at January 1, 2016 and throughout the comparative periods, which removes the impact of acquisitions and dispositions.
- ⁽²⁾ Properties acquired/sold (non-IFRS measure) - represents properties which were acquired or sold, therefore not owned as at January 1, 2016 and throughout the comparative periods.

Pure Multi's interest Rental revenue – same property ⁽¹⁾ (by location) October 1, 2016 base portfolio (\$000's)	For the three months ended			
	December 31, 2017	December 31, 2016	\$ Change	% Change
Dallas - Fort Worth, Texas	\$ 11,650	\$ 11,365	\$ 285	2.5%
Houston, Texas	2,167	2,088	79	3.8%
San Antonio, Texas	5,496	5,341	155	2.9%
Phoenix, Arizona	742	710	32	4.5%
Total – same property ⁽¹⁾	20,055	19,504	551	2.8%
Total – properties acquired/sold ⁽²⁾	6,145	612	5,533	904.1%
Total rental revenue	\$ 26,200	\$ 20,116	\$ 6,084	30.2%

Notes:

- ⁽¹⁾ Same property (non-IFRS measure) - represents properties owned as at October 1, 2016 and throughout the comparative periods, which removes the impact of acquisitions and dispositions.
- ⁽²⁾ Properties acquired/sold (non-IFRS measure) - represents properties which were acquired or sold, therefore not owned as at October 1, 2016 and throughout the comparative periods.

Pure Multi's interest Net rental income – same property ⁽¹⁾ (by location) January 1, 2016 base portfolio (\$000's)	For the year ended			
	December 31, 2017	December 31, 2016	\$ Change	% Change
Dallas - Fort Worth, Texas	\$ 22,888	\$ 22,034	\$ 854	3.9%
Houston, Texas	4,936	4,982	(46)	(0.9%)
San Antonio, Texas	5,205	4,903	302	6.2%
Phoenix, Arizona	1,840	1,689	151	8.9%
Total – same property ⁽¹⁾	34,869	33,608	1,261	3.8%
Total – properties acquired/sold ⁽²⁾	14,990	8,084	6,906	85.4%
Total net rental income	\$ 49,859	\$ 41,692	\$ 8,167	19.6%

Notes:

- ⁽¹⁾ Same property (non-IFRS measure) - represents properties owned as at January 1, 2016 and throughout the comparative periods, which removes the impact of acquisitions and dispositions.
- ⁽²⁾ Properties acquired/sold (non-IFRS measure) - represents properties which were acquired or sold, therefore not owned as at January 1, 2016 and throughout the comparative periods.

<i>Pure Multi's interest</i> <i>Net rental income – same property</i> ⁽¹⁾ (by location) <i>October 1, 2016 base portfolio (\$000's)</i>	For the three months ended			
	December 31, 2017	December 31, 2016	\$ Change	% Change
Dallas - Fort Worth, Texas	\$ 6,801	\$ 6,023	\$ 778	12.9%
Houston, Texas	1,352	1,251	101	8.1%
San Antonio, Texas	3,071	2,261	810	35.8%
Phoenix, Arizona	466	412	54	13.2%
Total – same property ⁽¹⁾	11,690	9,947	1,743	17.5%
Total – properties acquired/sold ⁽²⁾	3,386	324	3,062	945.1%
Total net rental income	\$ 15,076	\$ 10,271	\$ 4,805	46.8%

Notes:

⁽¹⁾ Same property (non-IFRS measure) - represents properties owned as at October 1, 2016 and throughout the comparative periods, which removes the impact of acquisitions and dispositions.

⁽²⁾ Properties acquired/sold (non-IFRS measure) - represents properties which were acquired or sold, therefore not owned as at October 1, 2016 and throughout the comparative periods.

<i>Average monthly rent per occupied unit -same property</i> ⁽¹⁾ (by location) <i>January 1, 2016 base portfolio</i>	For the year ended			
	December 31, 2017	December 31, 2016	\$ Change	% Change
Dallas - Fort Worth, Texas	\$ 1,194	\$ 1,143	\$ 51	4.4%
Houston, Texas	1,212	1,176	36	3.1%
San Antonio, Texas	1,329	1,301	28	2.1%
Phoenix, Arizona	1,157	1,102	55	5.0%
Portfolio weighted average – same property ⁽¹⁾	1,215	1,170	45	3.9%

Notes:

⁽¹⁾ Average monthly rent per occupied unit – same property (non-IFRS measure) - represents average monthly rental income for occupied units, for properties owned as at January 1, 2016 and throughout the comparative periods.

<i>Average monthly rent per occupied unit -same property</i> ⁽¹⁾ (by location) <i>October 1, 2016 base portfolio</i>	For the three months ended			
	December 31, 2017	December 31, 2016	\$ Change	% Change
Dallas - Fort Worth, Texas	\$ 1,240	\$ 1,214	\$ 26	2.2%
Houston, Texas	1,219	1,194	25	2.1%
San Antonio, Texas	1,324	1,341	(17)	(1.2%)
Phoenix, Arizona	1,174	1,129	45	4.0%
Portfolio weighted average – same property ⁽¹⁾	1,258	1,242	16	1.3%

Notes:

⁽¹⁾ Average monthly rent per occupied unit – same property (non-IFRS measure) - represents average monthly rental income for occupied units, for properties owned as at October 1, 2016 and throughout the comparative periods.

<i>Average physical occupancy – same property</i> ⁽¹⁾ (by location) <i>January 1, 2016 base portfolio</i>	For the year ended		
	December 31, 2017	December 31, 2016	% Change
Dallas - Fort Worth, Texas	95.5%	96.4%	(0.9%)
Houston, Texas	95.9%	96.7%	(0.8%)
San Antonio, Texas	94.8%	94.4%	0.4%
Phoenix, Arizona	96.3%	96.7%	(0.4%)
Portfolio weighted average – same property ⁽¹⁾	95.5%	96.1%	(0.6%)

Notes:

⁽¹⁾ *Average physical occupancy – same property (non-IFRS measure) - represents average physical occupancy, for properties owned as at January 1, 2016 and throughout the comparative periods.*

<i>Average physical occupancy – same property</i> ⁽¹⁾ (by location) <i>October 1, 2016 base portfolio</i>	For the three months ended		
	December 31, 2017	December 31, 2016	% Change
Dallas - Fort Worth, Texas	95.2%	94.8%	0.4%
Houston, Texas	98.4%	95.4%	3.0%
San Antonio, Texas	95.0%	89.9%	5.1%
Phoenix, Arizona	94.4%	94.9%	(0.5%)
Portfolio weighted average – same property ⁽¹⁾	95.5%	93.5%	2.0%

Notes:

⁽¹⁾ *Average physical occupancy – same property (non-IFRS measure) - represents average physical occupancy, for properties owned as at October 1, 2016 and throughout the comparative periods.*

For the year ended December 31, 2017, same property rental revenue increased by 2.7%, and same property net rental income increased by 3.8%, compared to the prior year. The increase in same property rental revenue was primarily driven by a 3.9% increase in the same property average monthly rent per occupied unit, while the increase in same property net rental income was a result of increased revenues, the elimination of management fees due to the internalization of the property management function, and increased efficiency managing the operating expenses, all being partially offset by an increase in property tax expense and a slight decrease in average physical occupancy.

For the three months ended December 31, 2017, for investments which have been owned since October 1, 2016, same property rental revenue increased by 2.8%, and same property net rental income increased by 17.5%, compared to the same time period in the prior year. The increase in same property rental revenue was driven by a 2.0% increase in average physical occupancy and a 1.3% increase in the same property average monthly rent per occupied unit, while the increase in same property net rental income was driven largely by the elimination of the management fees due to the internalization of the property management function, which resulted in the expense of no property management fees during the three months ended December 31, 2017.

Due to the fluctuating nature of property tax expense and the material short term variances this creates quarter over quarter, management feels the most accurate measure of same property net rental income is to compare twelve months ended December 31 over the same period in the prior year.

Same Property Analysis *(all metrics stated at Pure Multi's interest)*

In order to provide a more representative analysis of the same property operating metrics, the following section provides a revised base portfolio for the comparison of same property operating metrics for the current quarter over the same quarter in the prior year and includes only investment properties that have been owned since January 1, 2016. Upon acquisition of a newly constructed investment property, there is a period required to bring the property to operational efficiency under our new management. Each acquisition varies in the amount of time necessary to achieve operational efficiency. Factors such as the occupancy level on acquisition and the year of construction can influence the amount required to bring the property to a stabilized level. Additionally, depending on when in a given year an acquisition is completed and at what stage of development the property is at when acquired, there can be significant property tax expense increases during the year following the acquisition. By including only investment properties that were owned at the beginning of the previous fiscal year, many of the issues noted above will be eliminated, allowing

for a more representative analysis when looking at a same property measure. For the three months ended December 31, 2017, the change in the base portfolio for this new disclosure, as compared to the base portfolio which includes investments properties owned since October 1, 2016, is the elimination from the analysis of Pure View (defined herein) and Pure Estates (defined herein), as both of these investment properties were acquired in March 2016 and the Avenue (defined herein), which was acquired in September 2016.

<i>Pure Multi's interest</i> Rental revenue – same property ⁽¹⁾ (by location) <i>January 1, 2016 base portfolio (\$000's)</i>	For the three months ended			
	December 31, 2017	December 31, 2016	\$ Change	% Change
Dallas - Fort Worth, Texas	\$ 10,072	\$ 9,841	\$ 231	2.4%
Houston, Texas	2,167	2,087	80	3.8%
San Antonio, Texas	2,587	2,541	46	1.8%
Phoenix, Arizona	742	710	32	4.5%
Total – same property ⁽¹⁾	15,568	15,179	389	2.6%
Total – properties acquired/sold ⁽²⁾	10,632	4,937	5,695	115.4%
Total rental revenue	\$ 26,200	\$ 20,116	\$ 6,084	30.2%

Notes:

- (1) Same property (non-IFRS measure) - represents properties owned as at January 1, 2016 and throughout the comparative periods, which removes the impact of acquisitions and dispositions.
- (2) Properties acquired/sold (non-IFRS measure) - represents properties which were acquired or sold, therefore not owned as at January 1, 2016 and throughout the comparative periods.

<i>Pure Multi's interest</i> Net rental income – same property ⁽¹⁾ (by location) <i>January 1, 2016 base portfolio (\$000's)</i>	For the three months ended			
	December 31, 2017	December 31, 2016	\$ Change	% Change
Dallas - Fort Worth, Texas	\$ 6,044	\$ 5,213	\$ 831	16.0%
Houston, Texas	1,352	1,251	101	8.1%
San Antonio, Texas	1,522	1,315	207	15.6%
Phoenix, Arizona	466	412	54	13.2%
Total – same property ⁽¹⁾	9,384	8,191	1,193	14.6%
Total – properties acquired/sold ⁽²⁾	5,692	2,080	3,612	173.7%
Total net rental income	\$ 15,076	\$ 10,271	\$ 4,805	46.8%

Notes:

- (1) Same property (non-IFRS measure) - represents properties owned as at January 1, 2016 and throughout the comparative periods, which removes the impact of acquisitions and dispositions.
- (2) Properties acquired/sold (non-IFRS measure) - represents properties which were acquired or sold, therefore not owned as at January 1, 2016 and throughout the comparative periods.

<i>Average monthly rent per occupied unit – same property</i> ⁽¹⁾ (by location) <i>January 1, 2016 base portfolio</i>	For the three months ended			
	December 31, 2017	December 31, 2016	\$ Change	% Change
Dallas - Fort Worth, Texas	\$ 1,207	\$ 1,168	\$ 39	3.3%
Houston, Texas	1,219	1,194	25	2.1%
San Antonio, Texas	1,339	1,302	37	2.8%
Phoenix, Arizona	1,174	1,129	45	4.0%
Portfolio weighted average – same property ⁽¹⁾	\$ 1,228	\$ 1,191	\$ 37	3.1%

Notes:

- (1) Average monthly rent per occupied unit – same property (non-IFRS measure) - represents average monthly rental income for occupied units, for properties owned as at January 1, 2016 and throughout the comparative periods.

<i>Average physical occupancy – same property</i> ⁽¹⁾ (by location) <i>January 1, 2016 base portfolio</i>	For the three months ended		
	December 31, 2017	December 31, 2016	% Change
Dallas - Fort Worth, Texas	95.5%	95.8%	(0.3%)
Houston, Texas	98.4%	95.4%	3.0%
San Antonio, Texas	96.4%	95.1%	1.3%
Phoenix, Arizona	94.4%	94.9%	(0.5%)
Portfolio weighted average – same property ⁽¹⁾	96.0%	95.6%	0.4%

Notes:

⁽¹⁾ *Average physical occupancy – same property (non-IFRS measure) - represents average physical occupancy, for properties owned as at January 1, 2016 and throughout the comparative periods.*

For the three months ended December 31, 2017, for investment properties which have been owned since January 1, 2016, same property rental revenue increased by 2.6%, and same property net rental income increased by 14.6%, over the same period in the prior year. The increase in same property rental revenue was driven by a 3.1% increase in same property average rent per occupied unit coupled with a 0.4% increase in physical occupancy, while being partially offset by an increase in concessions offered at the investment properties. The increase in same property net rental income was driven primarily by the elimination of the management fees during the three months ended December 31, 2017, due to the internalization of the property management function.

Portfolio Summary

As at December 31, 2017, Pure Multi-Family's portfolio consists of 22 investment properties, comprising an aggregate of 7,085 residential units, with an average size of 910 square feet per residential unit, located within five metropolitan areas: (i) Dallas - Fort Worth ("DFW"), Texas, (ii) San Antonio ("SA"), Texas, (iii) Houston, Texas, (iv) Austin, Texas and (v) Phoenix, Arizona.

The weighted average physical occupancy rate was 93.7% and weighted average leased occupancy rate was 95.0% for all properties owned as at December 31, 2017 (December 31, 2016 – 92.8% and 94.9%, respectively). Typical residential property leases have terms of between one to 12 months.

Property Name	Location	Year of Acquisition	Year of Construction	Units	As at December 31, 2017			For the three months ended December 31, 2017		
					Fair Market Value (\$000's)	Debt to Fair Market Value	Cap Rate	Physical Occupancy	Leased Occupancy	Average Rent per Occupied Unit
Pure Farmers Market	DFW, TX	2017	2016	340	\$ 66,387	50.5%	5.00%	85.5%	87.0%	\$ 1,450
Pure at La Villita	DFW, TX	2017	2007	306	48,908	49.9%	5.00%	87.8%	88.7%	1,361
Lansbrook at Twin Creeks	DFW, TX	2017	2002	288	40,335	40.9%	5.25%	97.1%	98.0%	1,125
The Avenue on Fairmount	DFW, TX	2016	2015	368	67,309	63.9%	4.75%	95.8%	97.3%	1,483
Amalfi at Stonebriar	DFW, TX	2015	2014	395	66,917	67.2%	4.75%	93.4%	94.3%	1,247
Preserve at Arbor Hills	DFW, TX	2014	1998	330	53,168	45.1%	5.25%	92.8%	93.8%	1,253
Vistas at Hackberry Creek	DFW, TX	2013	1984	560	67,217	43.9%	5.50%	96.0%	97.1%	1,041
Fountainwood Apartments	DFW, TX	2013	1986	288	29,300	41.9%	6.00%	93.9%	94.8%	984
Stoneleigh at Valley Ranch	DFW, TX	2012	1999	210	32,023	42.7%	5.25%	93.2%	95.2%	1,316
Prairie Creek Villas	DFW, TX	2012	1997	464	84,950	52.6%	5.25%	96.9%	98.3%	1,383
Stoneleigh at Bear Creek	DFW, TX	2012	2004	436	66,057	48.6%	5.25%	97.3%	98.4%	1,256
	DFW, TX		2005	3,985	622,571	51.2%	5.16%	94.0%	95.2%	1,258
Pure Estates at TPC	SA, TX	2016	2007	344	56,896	66.4%	5.00%	94.7%	96.0%	1,409
Pure View at TPC	SA, TX	2016	2014	416	58,818	64.3%	5.00%	93.1%	94.6%	1,232
Brackenridge at Midtown	SA, TX	2015	2014	282	51,400	59.5%	5.00%	97.2%	98.2%	1,459
Park at West Avenue	SA, TX	2015	2014	360	53,080	68.8%	5.00%	95.7%	97.3%	1,245
	SA, TX		2012	1,402	220,194	64.8%	5.00%	95.0%	96.4%	1,324
Walker Commons	Houston, TX	2014	2008	352	53,013	53.7%	6.00%	99.0%	99.9%	1,229
The Boulevard at Deer Park	Houston, TX	2013	2000	216	27,700	57.1%	5.75%	97.4%	98.4%	1,202
	Houston, TX		2005	568	80,713	54.9%	5.91%	98.4%	99.3%	1,219
Pure Creekside	Austin, TX	2017	2016	276	40,119	49.9%	5.00%	91.7%	93.3%	1,186
Pure Fillmore	Phoenix, AZ	2017	2016	230	55,975	-	5.00%	87.4%	90.4%	1,382
Pinnacle at Union Hills	Phoenix, AZ	2017	1996	264	47,663	49.8%	5.25%	95.1%	96.8%	1,205
Pure Park 28 Apartments	Phoenix, AZ	2017	2015	152	29,721	50.0%	5.00%	93.6%	95.9%	1,287
San Brisas Apartments	Phoenix, AZ	2013 & 2014	1996	208	36,545	45.3%	5.25%	94.4%	95.1%	1,174
	Phoenix, AZ		2006	854	169,904	32.5%	5.12%	93.7%	95.4%	1,234
Portfolio Total/Average			2007	7,085	\$1,133,501	51.2%	5.17%	94.4%	95.7%	\$ 1,263

Acquisitions and Dispositions

Properties Acquired During 2017

On January 25, 2017, Pure Multi-Family, through the US REIT, acquired PURE Creekside at Onion Creek (“Creekside”), a multi-family apartment community, located in Austin, Texas, for a purchase price of \$40,000,000, plus standard closing costs and adjustments. This acquisition was financed with cash on hand and a new 10-year mortgage in the amount of \$20,000,000.

On January 27, 2017, Pure Multi-Family, through the US REIT, acquired Lansbrook at Twin Creeks (“Lansbrook”), a multi-family apartment community, located in Dallas, Texas, for a purchase price of \$40,000,000, plus standard closing costs and adjustments. This acquisition was financed with cash on hand and a new 5-year mortgage in the amount of \$16,500,000.

On June 9, 2017, Pure Multi-Family, through the US REIT, acquired Park 28 (“Park 28”), a multi-family apartment community, located in Phoenix, Arizona, for a purchase price of \$29,700,000, plus standard closing costs and adjustments. This acquisition was financed with cash on hand and a new 15-year mortgage in the amount of \$14,850,000.

On June 15, 2017, Pure Multi-Family, through the US REIT, acquired Pinnacle at Union Hills (“Pinnacle”), a multi-family apartment community, located in Phoenix, Arizona, for a purchase price of \$47,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash on hand. Subsequent to the acquisition, on July 7, 2017, Pure Multi-Family obtained a new 7-year mortgage in the amount of \$23,750,000.

On July 11, 2017, Pure Multi-Family, through the US REIT, acquired PURE at La Villita (“La Villita”), a multi-family apartment community, located in Phoenix, Arizona, for a purchase price of \$48,800,000, plus standard closing costs and adjustments. This acquisition was financed with cash on hand and a new 15-year mortgage in the amount of \$24,400,000.

On October 2, 2017, Pure Multi-Family, through the US REIT, acquired PURE Farmers Market Apartments (“Farmers Market”), a multi-family apartment community, located in Dallas, Texas, for a purchase price of \$66,350,000, plus standard closing costs and adjustments. This acquisition was financed with cash on hand and a new 12-year mortgage in the amount of \$33,500,000.

On November 29, 2017, Pure Multi-Family, through the US REIT, acquired PURE Fillmore Apartments (“Fillmore”), a multi-family apartment community, located in Phoenix, Arizona, for a purchase price of \$55,947,140, plus standard closing costs and adjustments. This acquisition was financed with cash on hand and \$29,000,000 from a new corporate level credit facility.

Financings

April 2017 Class A Unit Offering

On April 7, 2017, Pure Multi-Family completed a public offering (the “April 2017 Offering”) of 10,343,100 Class A Units, at a price of \$6.665 (CDN\$8.90) per Class A Unit, for gross proceeds of \$68,938,208 (CDN\$92,053,590), less offering costs.

The April 2017 Offering was completed on a “blind-pool” basis, meaning there were no properties identified for acquisition at the time of the offering. Net proceeds from the April 2017 Offering were used to acquire Park 28 and Pinnacle, as follows:

Use of Proceeds (\$000's)	Purchase Price (Before Closing Adjustments)	Mortgage Proceeds	Gross proceeds used from April 2017 Offering	Working Capital	Total
Park 28	\$ 29,700	\$ 14,850	\$ 14,850	\$ -	\$ 29,700
Pinnacle	47,500	-	47,500	-	47,500
Totals	77,200	14,850	62,350	-	77,200

The remaining gross proceeds of approximately \$6.6 million from the April 2017 Offering were used to fund the offering costs of the April 2017 Offering, acquisition and financing costs of Park 28 and Pinnacle, and for general working capital purposes for Pure Multi-Family.

June 2017 Class A Unit Offering

On June 30, 2017, Pure Multi-Family completed a public offering (the “June 2017 Offering”) of 10,281,000 Class A Units, at a price of \$6.756 (CDN\$8.95) per Class A Unit, for gross proceeds of \$69,459,954 (CDN\$92,014,950), less offering costs.

The June 2017 Offering was completed on a “blind-pool” basis, meaning there were no properties identified for acquisition at the time of the offering. Net proceeds from the June 2017 Offering were used to acquire Farmers Market and Fillmore, as follows:

Use of Proceeds (\$000's)	Purchase Price (Before Closing Adjustments)	Mortgage Proceeds	Gross proceeds used from June 2017 Offering	Working Capital	Total
Farmers Market	\$ 66,350	\$ 33,500	\$ 32,850	\$ -	\$ 66,350
Fillmore	55,947	-	26,947	29,000 ⁽¹⁾	55,947
Totals	122,297	33,500	59,797	29,000	122,297

(1) Corporate credit facility, secured against property.

The remaining gross proceeds of approximately \$9.7 million from the June 2017 Offering were used to fund the offering costs of the June 2017 Offering, acquisition and financing costs of Farmers Market and Fillmore, and for general working capital purposes for Pure Multi-Family.

Credit Facility

On November 28, 2017, Pure Multi-Family entered into a secured revolving credit agreement (the “Facility”), through the US REIT, with a total commitment available of up to \$50 million. The contract period is 3 years in duration and interest is calculated using the effective interest rate, which was 3.64% for 2017. Amounts drawn under the Facility will bear interest at a variable rate initially equal to: (i) LIBOR plus a margin ranging from 1.55% to 2.20% per annum, or (ii) a base rate plus a margin ranging from 0.55% to 1.20% per annum. As at December 31, 2017, a balance of \$26 million was outstanding. The Facility is secured by the Fillmore investment property.

The following summarizes the face and carrying values of the credit facility:

<i>(\$000's)</i>	Face Value	Carrying Value
Balance as at December 31, 2016	\$ -	\$ -
Credit facility draws	29,000	29,000
Credit facility repayments	(3,000)	(3,000)
Credit facility financing costs	-	(245)
Amortization of transaction costs	-	7
Balance as at December 31, 2017	\$ 26,000	\$ 25,762

OUTLOOK

Pure Multi-Family's strategy is to acquire a high-quality apartment portfolio located in the strongest growth markets within the U.S. Sunbelt region. A conservative approach to balance sheet management has resulted in one of the longest average mortgage terms in the sector at 8.9 years, with an average mortgage interest rate of 3.72% per annum, as at December 31, 2017.

Job and population growth are fundamental drivers of apartment demand and our core and target markets continue to experience considerable economic growth and are nearing full employment levels, which is expected to continue with the passing of the recent U.S. tax reform bill. U.S. Tax Reform has also reduced incentives for first time homeowners which may reinforce demand for rental apartments in the U.S.. Pure Multi-Family has a particular focus on asset selection that involves choosing assets that include unique features that inherently create a barrier-to-entry from competition, either in their unique in-fill locations, or through other locational attributes such as golf course frontages, large water features, or expansive views of neighbouring nature preserves. Such attention to detail on asset selection pays dividends in terms of top-line revenue growth and reduced tenant turnover.

Our diligent and active management style includes re-positioning some assets through value-add initiatives and ultimately renewing our portfolio over time to harvest the profits of such value-add programs through the profitable divesting of non-core holdings in order to re-invest such capital into newer, higher-quality assets thus affecting our urban-renewal approach to our overall portfolio asset management.

During 2017, we added seven high-quality, resort-style investment properties to the Pure Multi-Family portfolio, one of which being located in a new market for us, Austin, Texas. With the addition of Austin, Texas to our current markets, we now have expanded our presence to five strong geographical markets within Texas and Arizona. These acquisitions helped to renew our portfolio as the seven investment properties acquired had an average year of construction of 2010, bringing our overall portfolio's average year of construction to 2007 at the end of the year. Along with the long-term benefits of owning and operating high-quality, newly constructed investment properties are some initial short-term challenges. As we have encountered over the last few quarters, occupancy rates of the newly constructed investment properties still in stabilization tend to be at a slightly decreased level compared to our portfolio average, as they transition through a stabilization period. Once fully stabilized, which we anticipate being anywhere from a few months to 18 months from acquisition date, given the specific factors of each investment property, we expect these newer-built assets to be operating at our portfolio average occupancy rates, while at the same time achieving the benefits that a newly constructed asset produces, such as higher rental rates and lower capital expenditures, which create an increased net rental income margin.

With the internalization of the property management function completed during the current year and the internalization of the asset management function completed during the prior year, Pure Multi-Family is now a fully vertically integrated organization, which we believe will enhance unitholder value going forward through improved efficiencies, by way of streamlining processes, in addition to the elimination of external property management fees.

Our intention is to increase our portfolio holdings in our current existing strong growth markets, as well as to expand our platform operations to include additional strong growth Sunbelt markets, that offer similar compelling demand drivers. With the robust pipeline of high-quality apartment properties available for sale in these markets, coupled with stable capitalization rates and continuing favourable interest rates, we believe Pure Multi-Family is well positioned to continue its strong growth over the coming years, thus enhancing unitholder value further.

SECTION II

RESULTS OF OPERATIONS RECONCILIATION

“Pure Multi’s interest” is a non-IFRS measure representing the accrual of property tax liability and expense, on all portfolio investments, based on time period of ownership throughout the given reporting year. Pure Multi’s interest does not have any standardized meaning prescribed by IFRS.

The following tables provide reconciliations from Pure Multi-Family’s consolidated financial statements prepared in accordance with IFRS to Pure Multi’s interest, as described above, for the affected current and comparative periods.

Reconciliation of Consolidated Statement of Income and Comprehensive Income to Statement of Income and Comprehensive Income at Pure Multi's Interest:

Year ended December 31, 2017 (\$000's)	Consolidated ⁽¹⁾	IFRIC 21 Property Tax Adjustment ⁽²⁾	Pure Multi's Interest ⁽³⁾
REVENUES			
Rental	\$ 93,099	\$ -	\$ 93,099
OPERATING EXPENSES			
Insurance	1,908	-	1,908
Property management	1,859	-	1,859
Property taxes	15,647	2,910	18,557
Property operating expenses	20,916	-	20,916
	40,330	2,910	43,240
NET RENTAL INCOME	52,769	(2,910)	49,859
NET FINANCE INCOME (EXPENSES)			
Interest income	112	-	112
Interest expense	(22,104)	-	(22,104)
Distributions to subsidiary's preferred unitholders	(16)	-	(16)
	(22,008)	-	(22,008)
NET OTHER INCOME (EXPENSES)			
Other income	663	-	663
General and administrative	(5,369)	-	(5,369)
Fair value adjustments to investment properties	17,602	2,910	20,512
Franchise taxes	(461)	-	(461)
	12,435	2,910	15,345
NET INCOME AND COMPREHENSIVE INCOME	\$ 43,196	\$ -	\$ 43,196

Notes:

⁽¹⁾ Represents Pure Multi-Family's consolidated statement of income and comprehensive income prepared in accordance with IFRS.

⁽²⁾ Represents Pure Multi-Family's annual pro-rated portion of property tax expense, on its entire portfolio, that is accounted for under IFRIC 21.

⁽³⁾ Represents Pure Multi's interest, as described herein.

Reconciliation of Consolidated Statement of Income and Comprehensive Income to Statement of Income and Comprehensive Income at Pure Multi's Interest:

Three months ended December 31, 2017 (\$000's)	Consolidated ⁽¹⁾	IFRIC 21 Property Tax Adjustment ⁽²⁾	Pure Multi's Interest ⁽³⁾
REVENUES			
Rental	\$ 26,200	\$ -	\$ 26,200
OPERATING EXPENSES			
Insurance	526	-	526
Property taxes	(372)	5,247	4,875
Property operating expenses	5,723	-	5,723
	5,877	5,247	11,124
NET RENTAL INCOME	20,323	(5,247)	15,076
NET FINANCE INCOME (EXPENSES)			
Interest income	13	-	13
Interest expense	(6,171)	-	(6,171)
Distributions to subsidiary's preferred unitholders	(4)	-	(4)
	(6,162)	-	(6,162)
NET OTHER INCOME (EXPENSES)			
Other income	425	-	425
General and administrative	(1,683)	-	(1,683)
Fair value adjustments to investment properties	(5,749)	1,301	(4,448)
IFRIC 21 fair value adjustment to investment properties	(3,946)	3,946	-
Franchise taxes	(130)	-	(130)
	(11,083)	5,247	(5,836)
NET INCOME AND COMPREHENSIVE INCOME	\$ 3,078	\$ -	\$ 3,078

Notes:

⁽¹⁾ Represents Pure Multi-Family's consolidated statement of income and comprehensive income prepared in accordance with IFRS.

⁽²⁾ Represents Pure Multi-Family's annual pro-rated portion of property tax expense, on its entire portfolio, that is accounted for under IFRIC 21.

⁽³⁾ Represents Pure Multi's interest, as described herein.

Reconciliation of Consolidated Statement of Income and Comprehensive Income to Statement of Income and Comprehensive Income at Pure Multi's Interest:

Year ended December 31, 2016 (\$000's)	Consolidated ⁽¹⁾	IFRIC 21 Property Tax Adjustment ⁽²⁾	Pure Multi's Interest ⁽³⁾
REVENUES			
Rental	\$ 76,414	\$ -	\$ 76,414
OPERATING EXPENSES			
Insurance	1,588	-	1,588
Property management	2,301	-	2,301
Property taxes	11,185	2,943	14,128
Property operating expenses	16,705	-	16,705
	31,779	2,943	34,722
NET RENTAL INCOME	44,635	(2,943)	41,692
NET FINANCE INCOME (EXPENSES)			
Interest income	38	-	38
Interest expense	(19,799)	-	(19,799)
Distributions to subsidiary's preferred unitholders	(16)	-	(16)
	(19,777)	-	(19,777)
NET OTHER INCOME (EXPENSES)			
Other income	18	-	18
General and administrative	(1,438)	-	(1,438)
Fair value adjustments to investment properties	26,498	2,943	29,441
Loss on disposal of investment properties	(1,485)	-	(1,485)
Franchise taxes	(287)	-	(287)
	23,306	2,943	26,249
NET INCOME AND COMPREHENSIVE INCOME	\$ 48,164	\$ -	\$ 48,164

Notes:

⁽¹⁾ Represents Pure Multi-Family's consolidated statement of income and comprehensive income prepared in accordance with IFRS.

⁽²⁾ Represents Pure Multi-Family's annual pro-rated portion of property tax expense, on its entire portfolio, that is accounted for under IFRIC 21.

⁽³⁾ Represents Pure Multi's interest, as described herein.

Reconciliation of Consolidated Statement of Income and Comprehensive Income to Statement of Income and Comprehensive Income at Pure Multi's Interest:

Three months ended December 31, 2016 (\$000's)	Consolidated ⁽¹⁾	IFRIC 21 Property Tax Adjustment ⁽²⁾	Pure Multi's Interest ⁽³⁾
REVENUES			
Rental	\$ 20,116	\$ -	\$ 20,116
OPERATING EXPENSES (RECOVERIES)			
Insurance	417	-	417
Property management	622	-	622
Property taxes	220	3,984	4,204
Property operating expenses	4,602	-	4,602
	5,861	3,984	9,845
NET RENTAL INCOME	14,255	(3,984)	10,271
NET FINANCE INCOME (EXPENSES)			
Interest income	11	-	11
Interest expense	(4,952)	-	(4,952)
Distributions to subsidiary's preferred unitholders	(4)	-	(4)
	(4,945)	-	(4,945)
NET OTHER INCOME (EXPENSES)			
Other expense	(72)	-	(72)
General and administrative	(568)	-	(568)
Fair value adjustments to investment properties	(1,042)	1,202	160
IFRIC 21 fair value adjustment to investment properties	(2,782)	2,782	-
Loss on disposal of investment properties	(1,485)	-	(1,485)
Franchise taxes	(102)	-	(102)
	(6,051)	3,984	(2,067)
NET INCOME AND COMPREHENSIVE INCOME	\$ 3,259	\$ -	\$ 3,259

Notes:

⁽¹⁾ Represents Pure Multi-Family's consolidated statement of income and comprehensive income prepared in accordance with IFRS.

⁽²⁾ Represents Pure Multi-Family's annual pro-rated portion of property tax expense, on its entire portfolio, that is accounted for under IFRIC 21.

⁽³⁾ Represents Pure Multi's interest, as described herein.

RESULTS OF OPERATIONS

<i>(\$000's, except per unit basis)</i>	For the year ended December 31, 2017	For the year ended December 31, 2016	For the three months ended December 31, 2017	For the three months ended December 31, 2016
Revenues				
Rental	\$ 93,099	\$ 76,414	\$ 26,200	\$ 20,116
Operating Expenses				
Insurance	1,908	1,588	526	417
Property management	1,859	2,301	-	622
Property taxes ⁽¹⁾	18,557	14,128	4,875	4,204
Property operating expenses	20,916	16,705	5,723	4,602
	43,240	34,722	11,124	9,845
Net Rental Income ⁽¹⁾	49,859	41,692	15,076	10,271
Net Finance Income (Expenses)				
Interest income	112	38	13	11
Interest expense	(22,104)	(19,799)	(6,171)	(4,952)
Distributions to subsidiary's preferred unitholders	(16)	(16)	(4)	(4)
	(22,008)	(19,777)	(6,162)	(4,945)
Other Income (Expenses) ⁽¹⁾				
Other income (expense)	663	18	425	(72)
General and administrative	(5,369)	(1,438)	(1,683)	(568)
Fair value adjustments to investment properties ⁽¹⁾	20,512	29,441	(4,448)	160
Loss on disposal of investment properties	-	(1,485)	-	(1,485)
Franchise taxes	(461)	(287)	(130)	(102)
	15,345	26,249	(5,836)	(2,067)
Net Income and Comprehensive Income	\$ 43,196	\$ 48,164	\$ 3,078	\$ 3,259
Earnings per Class A Unit – basic	\$ 0.60	\$ 0.89	\$ 0.04	\$ 0.06
Weighted average number of Class A Units – basic	68,926,987	51,553,540	76,729,771	55,418,872
Earnings per Class A Unit – diluted	\$ 0.60	\$ 0.86	\$ 0.04	\$ 0.06
Weighted average number of Class A Units – diluted	72,958,845	55,739,002	76,729,771	55,497,401
Earnings per Class B Unit – basic	\$ 8.04	\$ 11.67	\$ 0.52	\$ 0.75
Earnings per Class B Unit – diluted	\$ 7.96	\$ 11.67	\$ 0.52	\$ 0.75
Weighted average number of Class B Units – basic and diluted	200,000	200,000	200,000	200,000

Notes:

⁽¹⁾ Represents Pure Multi's interest, see "Results of Operations Reconciliation" for adjustments from IFRS to Pure Multi's interest.

During the year ended December 31, 2017, based on Pure Multi's interest, Pure Multi-Family recorded rental revenue of \$93,098,656, net rental income of \$49,858,162, fair value adjustments to investment properties of \$20,512,447 and net income of \$43,196,301 (year ended December 31, 2016 - \$76,414,359, \$41,691,664, \$29,440,739 and \$48,163,729, respectively). During the year ended December 31, 2017, Pure Multi-Family incurred \$5,369,059 of general and administrative expenses (year ended December 31, 2016 - \$1,438,416), recorded no gains or losses on disposal of investment properties (year ended December 31, 2016 - loss of \$1,484,345), and incurred franchise tax expense of \$460,952 (year ended December 31, 2016 - \$287,241). The increase in revenues and expenses, in general, primarily attributable to Pure Multi-Family operating additional investment properties, coupled with rental revenue growth during the year ended December 31, 2017, compared to the prior year. The increase in general and administrative expenses was primarily due to the internalization of the property management function, which commenced during the second quarter of 2017, and the internalization of the asset management function, which occurred during the third quarter of 2016. The decrease in net income during the year ended December 31, 2017, is primarily due to an increase in property tax expense and general and administrative expense, coupled with a smaller gain on fair value adjustments to investments properties, compared to the prior year.

Rental Revenue

Rental revenue from investment properties includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements. The increase in rental revenue was primarily attributable to Pure Multi-Family operating additional investment properties and residential units during the three months and year ended December 31, 2017, compared to the same periods in the prior year, in addition to organic rental revenue growth experienced from the investment properties operated during such periods.

Operating Expenses

Operating expenses include costs relating to such items as cleaning, repairs and maintenance, turnover costs, HVAC, property payroll, insurance, property taxes, utilities and property management fees among other items. In aggregate, operating expenses totaled \$43,240,494 for the year ended December 31, 2017 (year ended December 31, 2016 - \$34,722,695) and \$11,124,393 for the three months ended December 31, 2017 (three months ended December 31, 2016 - \$9,844,692). The increase in operating expenses was primarily due to Pure Multi-Family operating additional investment properties and residential units during the current period combined with an increase in property tax expense, which was partially offset by a reduction in property management fees. The increase in property tax expense is primarily due to the acquisition of newly constructed investment properties across the portfolio. As these newly constructed investment properties transition from the lease-up phase to expected occupancy, their respective assessed tax values can, and most often do, significantly increase which in turn increases the overall property tax expense compared to the prior year. The increase in property tax expense and the reduction in property management fees had the most significant impacts on the operating margins, whereby Pure Multi-Family's operating margin during the year ended December 31, 2017 decreased to 53.6% compared to 54.6% during the prior year. The increase in the operating margin for the three months ended December 31, 2017, 57.5%, compared to the prior year period, 51.1%, is due mainly to timing with regard to the settlement of property tax appeals and the elimination of property management fees.

The following table illustrates certain operating expenses as a percentage of total operating expenses:

<i>Pure Multi's interest</i>	For the year ended December 31, 2017	For the year ended December 31, 2016	For the three months ended December 31, 2017	For the three months ended December 31, 2016
Insurance	4.4%	4.6%	4.7%	4.2%
Property management	4.3%	6.6%	-	6.3%
Property taxes	42.9%	40.7%	43.8%	42.7%
Property operating expenses	48.4%	48.1%	51.5%	46.8%
	100.0%	100.0%	100.0%	100.0%
Net rental income margin	53.6%	54.6%	57.5%	51.1%

Finance Income

Finance income consists of interest income which was earned from bank deposits at Pure Multi-Family and the property level.

Finance Expenses

Finance expenses consist of interest expense and distributions to subsidiary's preferred unitholders (see "Financial Condition – Preferred Units of Subsidiary"). Pure Multi-Family declared distributions in the amount of \$15,625 to the subsidiary's preferred unitholders during the year ended December 31, 2017 (year ended December 31, 2016 - \$15,625).

Interest Expense

Interest expense consists of mortgage interest, mortgage prepayment expense, convertible debenture interest, credit facility interest, amortization of transaction costs, amortization of mark-to-market mortgage adjustment and accretion of convertible debentures.

The weighted average interest rate on the mortgages is 3.72% per annum as at December 31, 2017 (December 31, 2016 - 3.74%) and the mortgages mature between 2019 and 2032 with a weighted average mortgage term of 8.9 years remaining (December 31, 2016 - 9.4 years remaining). Pure Multi-Family intends to refinance any mortgages which mature within six months of the maturity date.

General and Administrative Expenses

General and administrative ("G&A") expenses are primarily comprised of corporate compensation, directors' fees, directors' and officers' liability insurance, professional fees, legal fees, filing fees, and administrative expenses. Professional fees include audit and tax fees. Administrative expenses include US REIT compliance expenditures, investor relations expenses, bank charges, and beginning September 1, 2016, office overhead and rent.

Subsequent to the Determination Event (as defined in the LP Agreement), on September 1, 2016, Pure Multi-Family internalized its asset management and terminated the Asset Management Agreement with the Managing GP. No penalties were incurred upon termination of the agreement. Prior to September 1, 2016, pursuant to the Asset Management Agreement, the Managing GP provided Pure Multi-Family with support services consisting of office space and equipment and the necessary clerical and secretarial personnel for the administration of its day-to-day activities, at no cost.

During 2017, Pure Multi-Family went through the process of internalizing its property management function. These additional corporate compensation and administrative expenses, which were not incurred during the comparative periods, include non-recurring start-up costs, salaries and benefits, office rent and additional office overhead. The non-recurring start-up costs incurred during the year ended December 31, 2017 were \$921,207, and during the three months ended December 31, 2017 were \$219,217. When removing these non-recurring expenditures from overall G&A expense, this results in an adjusted G&A expense as a percentage of revenue of 4.8% for the twelve months ended December 31, 2017 and 5.6% for the three months ended December 31, 2017.

The following table illustrates corporate expenses as a percentage of overall general and administrative expenses:

	For the year ended December 31, 2017	For the year ended December 31, 2016	For the three months ended December 31, 2017	For the three months ended December 31, 2016
Insurance	1.3%	3.5%	1.8%	2.2%
Professional fees	8.2%	25.4%	8.7%	19.1%
Legal and filing fees	7.1%	20.8%	4.8%	12.4%
Directors' fees	5.4%	21.0%	3.8%	14.8%
Corporate compensation	46.8%	17.5%	47.6%	36.3%
Administrative expenses	31.2%	11.8%	33.3%	15.2%
	100.0%	100.0%	100.0%	100.0%
G&A expense as a percentage of rental revenue	5.8%	1.9%	6.4%	2.8%

Other Income (Expenses)

Other income (expenses) includes proceeds resulting from acquisition guarantees, certain property due diligence expenses, GST, Canadian income tax provision and foreign currency exchange gains and losses.

Fair Value Adjustments to Investment Properties

Pure Multi-Family revalues its investment properties at fair value on each reporting date and records the fair value adjustments as an income or expense item. For the year ended December 31, 2017, based on Pure Multi's interest, Pure Multi-Family recorded an increase of \$20,512,447 in the fair value of its investment properties (year ended December 31, 2016 - \$29,440,739). The weighted average capitalization rate of the investment properties at December 31, 2017, based on Pure Multi's interest, was 5.17% (December 31, 2016 – 5.41%).

Income Taxes

Pure Multi-Family is not subject to tax under Part I of the Income Tax Act (Canada) (the "Tax Act"). Each partner (or "unitholder") of Pure Multi-Family is required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of Pure Multi-Family for its fiscal year ending in or on the partner's taxation year-end, whether or not any of that income or loss is distributed to the partner in the taxation year. Pure Multi-Family's indirect Canadian subsidiary, Pure Multi-Family Management Ltd., is a taxable Canadian corporation subject to Canadian income tax.

Franchise Taxes

Texas Franchise Tax applicable to Pure Multi-Family, for its investment properties operated in Texas during the year ended December 31, 2017, is equal to 0.75% of the lesser of: (i) 70% of total revenue; (ii) 100% of total revenue less cost of goods sold; (iii) 100% of total revenue less compensation expense; or (iv) 100% of total revenue less \$1 million. Pure Multi-Family recorded a provision for Texas Franchise Tax of \$460,952 for the year ended December 31, 2017 (year ended December 31, 2016 - \$287,241).

Offering Costs

Offering costs are the costs incurred by Pure Multi-Family that relate to the issuance of securities, which are included in the statement of partners' capital. Pure Multi-Family incurred \$6,147,062 of offering costs, during the year ended December 31, 2017 (year ended December 31, 2016 - \$1,420,147).

SEGMENTED INFORMATION

The primary format for segment reporting is based on geographical region and is consistent with the internal reporting provided to the chief operating decision-maker, determined to be the general partners. Pure Multi-Family currently operates in one business segment, indirectly owning and operating multifamily apartment properties in the Sunbelt region in the United States.

FINANCIAL CONDITION**Assets****Investment Properties**

Investment properties are stated at fair value. Fair value adjustments to investment properties arising from changes in fair value are included in the consolidated statement of income and comprehensive income in the period which they arise. As at December 31, 2017, investment properties were valued at \$1,133,501,407 (December 31, 2016 - \$778,547,182). The increase in investment properties is primarily due to the acquisition of seven investment properties for a combined purchase price of \$328,297,140, combined with a fair value increase adjustment. The increase in the fair value adjustment to investment properties was driven by both an increase in net rental income and a reduction in capitalization rates at certain properties.

The investment properties are pledged as security against the mortgages payable.

Prepaid Expenses

Prepaid expenses primarily consist of insurance and utility deposits.

Mortgage Reserve Fund

The mortgage reserve fund consists of cash on deposit requested by the lenders to be retained in escrow to pay for any repairs to the properties and certain costs. These funds will be released to pay the respective obligations once certain conditions are met, such as completion of repairs. As at December 31, 2017, the term for the current mortgage reserve fund is less than 12 months. The mortgage reserve fund is \$6,421,458, as at December 31, 2017 (December 31, 2016 - \$5,193,406).

Liabilities

The LP Agreement limits the indebtedness of Pure Multi-Family to a maximum of 70% of the gross book value. The gross book value is defined as the total book value of the assets plus accumulated depreciation and amortization in respect of such assets. The indebtedness is 53.4% of the gross book value as at December 31, 2017 (December 31, 2016 – 55.2%).

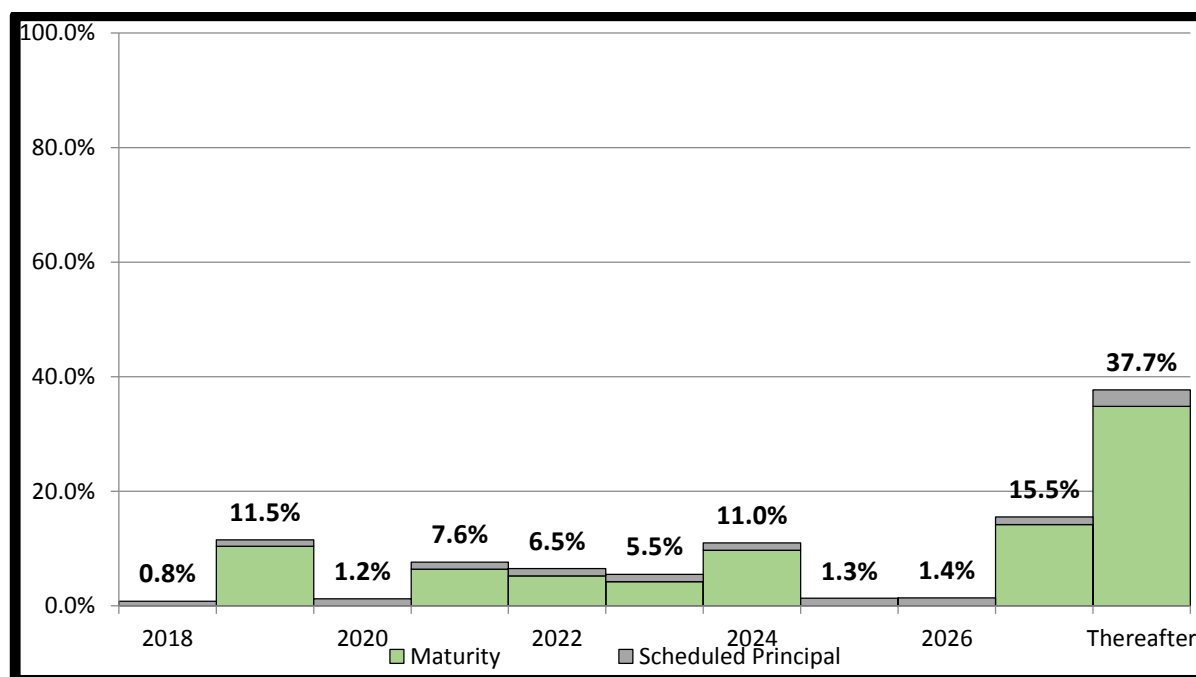
Mortgages Payable

The mortgages bear interest at a weighted average effective rate of 3.72% per annum, as at December 31, 2017 (December 31, 2016 – 3.74%) and mature between 2019 and 2032.

The scheduled principal payments, principal maturities and weighted average effective rate are as follows:

December 31, 2017 (\$000's, except percentage amounts)	Weighted Average Effective Rate (on expiry)	Scheduled Principal Repayments	Principal Maturities	Total Repayments
2018	-	4,563	-	4,563
2019	3.29%	6,166	60,550	66,716
2020	-	7,019	-	7,019
2021	3.26%	7,226	37,060	44,286
2022	3.38%	7,485	30,180	37,665
2023	4.32%	7,683	24,679	32,362
2024	3.71%	7,416	56,292	63,708
2025	-	7,530	-	7,530
2026	-	8,122	-	8,122
2027	3.83%	7,801	82,425	90,226
Thereafter	3.83%	16,587	201,972	218,559
	3.72%	\$ 87,598	\$ 493,158	580,756
Unamortized mortgage transaction costs				(4,503)
				\$ 576,253

The following chart shows the remaining scheduled principal payments and principal maturities of the mortgages due within the next 10 years and thereafter:



Credit Facility

On November 28, 2017, Pure Multi-Family entered into a secured revolving credit agreement (the “Facility”), through the US REIT, with a total commitment available of up to \$50 million. The contract period is 3 years in duration and interest is calculated using the effective interest rate, which was 3.64% for 2017. Amounts drawn under the Facility will bear interest at a variable rate initially equal to: (i) LIBOR plus a margin ranging from 1.55% to 2.20% per annum, or (ii) a base rate plus a margin ranging from 0.55% to 1.20% per annum. As at December 31, 2017, a balance of \$26 million was outstanding. The Facility is secured by the Fillmore investment property.

<i>(000's)</i>	Face Value	Carrying Value
Balance as at December 31, 2016	\$ -	\$ -
Credit facility draws	29,000	29,000
Credit facility repayments	(3,000)	(3,000)
Credit facility financing costs	-	(245)
Amortization of transaction costs	-	7
Balance as at December 31, 2017	\$ 26,000	\$ 25,762

Preferred Units of Subsidiary

During the year ended December 31, 2013, the US REIT issued 125 preferred units at \$1,000 per preferred unit for gross proceeds of \$125,000. On consolidation, the preferred units of the US REIT are reflected as a liability of Pure Multi-Family.

The preferred units are non-voting preferred units. Unitholders holding preferred units are entitled to receive dividends from the US REIT at a per annum rate equal to 12.5%, payable on June 30 and December 31 of each year. Unitholders holding preferred units will be allocated such return in priority to any allocations or distributions to all other classes and series of units of the US REIT. However, after payment of such return to unitholders holding preferred units, preferred unitholders are not otherwise entitled to share in the income of the US REIT.

The US REIT may redeem the preferred units at any time, for a price equal to \$1,000 per preferred unit, plus accrued and unpaid distributions.

Due to the fixed distributions and preferred treatment for preferred units, they meet the definition of a liability. In addition, the board of directors of the Governing GP does not expect to redeem any preferred units within the next year. Thus, the preferred units are classified as non-current liabilities.

Convertible Debentures

On August 7, 2013, Pure Multi-Family issued 23,000 6.5% convertible unsecured subordinated debentures (each a “6.5% convertible debenture”) at a price of \$1,000 per 6.5% convertible debenture, for gross proceeds of \$23,000,000. The 6.5% convertible debentures mature on September 30, 2020 and are convertible at the holder’s option at any time into Class A units (each a “Class A Unit”) at a conversion price of \$5.65 per Class A Unit, in accordance with the terms of the trust indenture dated August 7, 2013. On or after September 30, 2016, but prior to September 30, 2018, the 6.5% convertible debentures may be redeemed by Pure Multi-Family, in whole or in part, at a price equal to their principal amount plus accrued and unpaid interest thereon, provided the weighted average trading price of the Class A Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is at least 125% of the conversion price. After September 30, 2018, the 6.5% convertible debentures may be redeemed by Pure Multi-Family at any time.

During the year ended December 31, 2017, 210 of the originally issued 23,000 6.5% convertible debentures were converted into Class A Units (December 31, 2016 – 10). At December 31, 2017, \$22,780,000 of the face value of the 6.5% convertible debentures was outstanding

The following summarizes the face and carrying values of the 6.5% convertible debentures:

<i>(\$000's)</i>	Convertible Debentures	Liability Component	Equity Component
	Face Value	Carrying Value	Carrying Value
Balance as at December 31, 2016	\$ 22,990	\$ 20,793	\$ 1,984
Conversion of convertible debenture	(210)	(191)	(19)
Amortization of transaction costs	-	181	-
Accretion of liability component	-	332	-
Balance as at December 31, 2017	22,780	21,115	1,965
Balance as at December 31, 2015	\$ 23,000	\$ 20,320	\$ 1,985
Conversion of convertible debenture	(10)	(9)	(1)
Amortization of transaction costs	-	168	-
Accretion of liability component	-	314	-
Balance as at December 31, 2016	\$ 22,990	\$ 20,793	\$ 1,984

Partners' Capital

The capital of Pure Multi-Family consists of an unlimited number of Class A Units and Class B units (each a "Class B Unit") and the interest held by the Governing GP. The Governing GP has made a capital contribution of \$20 to Pure Multi-Family and has no further obligation to contribute capital.

On May 30, 2012, the Managing GP subscribed for 200,000 Class B Units of Pure Multi-Family, at a price of \$5.00 per Class B Unit, for gross proceeds to Pure Multi-Family of \$1,000,000. As of the date hereof, Pure Multi-Family has 200,000 Class B Units outstanding.

From the date of formation on May 8, 2012, to December 31, 2016, Pure Multi-Family has issued 56,068,506 Class A Units for gross proceeds of \$383,992,529, less offering costs.

During the years ended December 31, 2017, the following transactions occurred:

- (a) On April 7, 2017, Pure Multi-Family completed the closing of a public offering of 10,343,100 Class A Units on a bought deal basis, at a price of \$6.67 (CDN\$8.90) per Class A Unit for gross proceeds of \$68,938,208 (CDN\$92,053,590). Pure Multi-Family issued the Class A Units from treasury.
- (b) On June 30, 2017, Pure Multi-Family completed the closing of a public offering of 10,281,000 Class A Units on a bought deal basis, at a price of \$6.76 (CDN\$8.95) per Class A Unit for gross proceeds of \$69,459,954 (CDN\$92,014,950). Pure Multi-Family issued the Class A Units from treasury.
- (c) During the year ended December 31, 2017, 210 6.5% convertible debentures were converted at a conversion price of \$5.65 into 37,165 Class A Units. Pure Multi-Family issued the Class A Units from treasury.
- (d) In September 2017, Pure Multi-Family received approval from the TSX Venture Exchange to commence a normal course issuer bid ("NCIB"), allowing for the purchase for cancellation of up to 1,000,000 Class A Units. The NCIB commenced on October 3, 2017 and will expire on October 2, 2018, or such earlier date as Pure Multi-Family completes its purchases pursuant to the NCIB. Purchases subject to this NCIB will be carried out pursuant to open market transactions through the facilities of the TSX-V by CIBC on behalf of Pure Multi-Family in accordance with applicable regulatory requirements. All Class A Units purchased by Pure Multi-Family under the NCIB will be returned to treasury and cancelled. During the year ended December 31, 2017, Pure Multi-Family did not purchase and cancel any Class A Units under the NCIB.

	2017	2016
Class A Units outstanding, beginning of year	56,068,506	49,039,824
Class A Units issued, public offering	20,624,100	4,884,000
Class A Units issued, warrants exercised	-	2,142,913
Class A Units issued, debentures converted	37,165	1,769
Class A Units outstanding, end of year	76,729,771	56,068,506

As at December 31, 2017, Pure Multi-Family had 76,729,771 Class A Units and 200,000 Class B Units outstanding.

The capital of Pure Multi-Family is divided into Class A Units and Class B Units. The Class A Units are the subject of the public offerings described in Pure Multi-Family's prospectuses dated July 3, 2012, October 12, 2012, May 1, 2013, July 22, 2014, May 4, 2015, December 7, 2015, July 22, 2016, March 31, 2017 and June 26, 2017, which are available on SEDAR at www.sedar.com. The Class B Units were subscribed for by the Managing GP on May 30, 2012. Except as set out in the LP Agreement, no Class A Unit or Class B Unit has any preference or priority over another.

All distributions will be made to the holders of the Class A Units and the Class B Units in accordance with the Class A Unit Percentage Interest and Class B Unit Percentage Interest, respectively. As described in the LP Agreement, after the Determination Event, which occurred on August 12, 2016, the Class B Unitholders' proportion of the total distribution will fluctuate depending on the number of Class A Units outstanding. For the year ending December 31, 2017, 3.72% of net income was allocated to the Class B Units (year ended December 31, 2016 - 4.85%).

Following the occurrence of the Determination Event, the number of Class A Units to which the Class B Unitholder is entitled upon exercising Conversion Rights (as defined in the LP Agreement) became fixed, and future issuances of Class A Units will result in a decline in the Class B Unit Percentage Interest. Upon the Determination Event, which occurred on August 12, 2016, the number of Class A Units into which the Class B Units may be converted was fixed at 2,665,835 Class A Units.

The Conversion Rights may be exercised by the Managing GP at any time provided that:

- (a) Pure Multi-Family is legally entitled to comply with its obligations in connection with the exercise of the Conversion Rights; and
- (b) the Class B Unitholder who exercises the Conversion Rights complies with all applicable securities laws.

Upon the exercise of the Conversion Rights, the Class B Unitholders will receive 2,665,835 Class A Units. As such, pursuant to the terms of the LP Agreement, the Class B Unitholders will receive such number of Class A Units representing the same Class B Unit Percentage Interest in the net assets of Pure Multi-Family as was previously designated in the form of Class B Units. Subject to applicable laws, Pure Multi-Family will re-designate all the interests of Class B Unitholders into 2,665,835 Class A Units, effective as of the date that Pure Multi-Family receives a notice of exercise of the Conversion Rights. Upon such occurrence and the exercise of the Conversion Rights by the Class B Unitholders, the interests of Class B Unitholders will be re-designated as Class A Units. The Class B Units will not be required to be redeemed or cancelled.

Pursuant to the LP Agreement, the Managing GP or any affiliate or associate of the Managing GP, which is then the Class B Unitholder, has agreed that it will not dispose of more than one-third of the Class A Units received by it upon the conversion of the Class B Units in each consecutive twelve month period ending after the first anniversary of the earlier of: (i) the date a Determination Event occurs; and (ii) the date upon which the conversion is completed. This limitation will not apply where the Conversion Rights have been exercised in connection with a take-over bid or a sale of substantially all of Pure Multi-Family's assets.

LIQUIDITY AND CAPITAL RESOURCES**Funds from Operations and Adjusted Funds from Operations**

Funds from operations (“FFO”) is a non-IFRS measure, as described herein, and should not be construed as an alternative to net earnings or cash flows, as applicable, determined in accordance with IFRS. However, FFO is an operating performance measure which is widely used by the real estate industry. Pure Multi-Family’s method of calculating FFO may differ from other companies and accordingly may not be comparable to similar measures presented by other companies.

The use of FFO, combined with the required IFRS presentations, has been presented for the purpose of improving the understanding of operating results in the real estate industry by the investing public and in making comparisons of the entities operating results more meaningful.

As FFO excludes fair value adjustments, IFRIC 21 adjustments, and gains or losses from property dispositions, it provides a performance measure that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and realty taxes; acquisition activities; and interest costs, and provides a perspective of financial performance that is not immediately apparent from net earnings determined in accordance with IFRS.

FFO is a widely accepted supplemental measure of financial performance for real estate entities; however, it does not represent amounts available for capital programs, debt service obligations, commitments or uncertainties. FFO should not be interpreted as an indicator of cash generated from operating activities and is not indicative of cash available to fund operating expenditures, or for the payment of cash distributions. FFO is simply one of several measures of operating performance.

Adjusted funds from operations (“AFFO”) is also a non-IFRS measure, as described herein, and should not be construed as an alternative to net earnings or cash flows, as applicable, determined in accordance with IFRS. However, AFFO is widely accepted as a performance measurement tool in the real estate industry. AFFO is calculated by adjusting the FFO for non-cash compensation items, accretion of debentures, and maintenance capital expenditures. Pure Multi-Family’s method of calculating AFFO may differ from other companies and accordingly may not be comparable to similar measures presented by other companies. Pure Multi-Family presents AFFO for both an earnings and cash flow measure.

The following table provides the analysis of Pure Multi-Family's FFO and AFFO performance:

<i>(\$000's, except percent and per unit basis)</i>	For the year ended December 31, 2017	For the year ended December 31, 2016 ⁽²⁾	For the three months ended December 31, 2017	For the three months ended December 31, 2016 ⁽²⁾
Net income and comprehensive income	\$ 43,196	\$ 48,164	\$ 3,078	\$ 3,259
Adjustment:				
Fair value adjustment to investment properties	(17,602)	(26,498)	5,750	1,043
Loss on disposal of investment property	-	1,484	-	1,484
Property tax adjustments on acquisition or sale	(2,910)	(2,943)	(1,302)	(1,202)
IFRIC 21 fair value adjustment to investment properties	-	-	3,946	2,782
IFRIC 21 property tax liability adjustment, net	-	-	(3,946)	(2,782)
Funds from operations	\$ 22,684	\$ 20,207	\$ 7,526	\$ 4,584
Maintenance capital provision ⁽¹⁾	(1,870)	(1,540)	(540)	(403)
Accretion of convertible debentures	332	314	87	81
Adjusted funds from operations	\$ 21,146	\$ 18,981	\$ 7,073	\$ 4,262
Weighted average number of units <i>(000's)</i>				
Class A Units	68,927,987	51,553,540	76,729,771	55,418,872
Class B Units	200,000	200,000	200,000	200,000
Diluted weighted average number of units <i>(000's)</i>				
Class A Units	72,958,845	55,739,002	76,729,771	55,497,401
Class B Units	200,000	200,000	200,000	200,000
FFO per unit – Basic and Diluted				
Class A Units	\$ 0.32	\$ 0.37	\$ 0.10	\$ 0.08
Class B Units	4.22	4.90	1.26	1.05
Payout Ratio on FFO	119.9%	101.5%	98.9%	119.7%
AFFO per unit – Basic and Diluted				
Class A Units	\$ 0.30	\$ 0.35	\$ 0.09	\$ 0.07
Class B Units	3.94	4.60	1.19	0.98
Payout Ratio on AFFO	128.6%	108.0%	105.2%	128.8%

Notes:

⁽¹⁾ Calculated using an estimate of \$300 per residential unit per year. This maintenance capital provision is estimated to be incurred on the property portfolio as to sustain its current revenue rental income-generating potential into future periods. See "Liquidity and Capital Resources – Calculating Maintenance Capital Provision for AFFO".

⁽²⁾ Restated FFO and AFFO amounts for the three months and year ended December 31, 2016 to remove amortization of transaction costs and mortgage prepayment expense.

Calculating Maintenance Capital Provision for AFFO

In Q1 2017, REALpac issued updated guidance on maintenance capital expenditures to be used in the calculation of AFFO. As a high degree of significant judgement is involved in classifying capital expenditures as value enhancing or maintenance capital, Pure Multi-Family historically has applied a maintenance capital provision of \$300 per residential unit per annum, which is based on management's experience and the location of former and current investment properties. The \$300 maintenance capital provision includes capital expenditures incurred at the investment properties, in-suite or common area, which are required to maintain revenues at current levels and maintain the residential suites and apartment facilities in current operating conditions. Value enhancing capital expenditures include items such as in-suite upgrades and building enhancements that management believes will grow the investment property net rental income.

The following table provides Pure Multi-Family's total capital expenditures attributable to value enhancing and maintenance capital for each of the last three fiscal years:

<i>(\$000's, except per percent and residential unit basis)</i>	For the year ended December 31,		
	2017	2016	2015
Value enhancing capital expenditures	\$ 3,052	\$ 2,393	\$ 1,631
Maintenance capital expenditures	1,870	1,540	1,289
Total capital expenditures	\$ 4,922	\$ 3,933	\$ 2,920
Maintenance capital - % of total capital	38%	39%	44%
Portfolio average year of construction	2007	2006	2003
# of residential units ⁽¹⁾	6,233	5,132	4,295
Maintenance capital expenditures per residential unit	\$ 300	\$ 300	\$ 300
Value enhancing capital expenditures per residential unit	\$ 490	\$ 466	\$ 380

Notes:

⁽¹⁾ Weighted average number of residential units within portfolio during the year.

Management is of the view that the maintenance capital provision of \$300 per residential unit per annum is an appropriate provision to use in the calculation of AFFO, as it fairly represents the amount of maintenance capital required to maintain the current revenues and condition of its investment properties, based on the location and year of construction of such properties. As noted in the table above, the "Maintenance capital - % of total capital" has decreased compared to each of the prior years. This is primarily the result of the steps we have taken to improve our portfolio's average year of construction. As newly constructed properties require less maintenance capital to keep them in current condition, it would be expected that the trend of "Maintenance capital - % of total capital" will decrease as the "Portfolio average year of construction" continues to improve. Management will continue to monitor the maintenance capital provision currently being applied and adjust as necessary to reflect any changes as new locations are added where the portfolio operates and to any changes in the portfolio average year of construction.

The following is a reconciliation of the Pure Multi-Family's AFFO and FFO to cash provided by operations:

<i>(\$000's)</i>	For the year ended December 31, 2017	For the year ended December 31, 2016 ⁽¹⁾	For the three months ended December 31, 2017	For the three months ended December 31, 2016 ⁽¹⁾
Adjusted funds from operations	\$ 21,146	\$ 18,981	\$ 7,073	\$ 4,262
Maintenance capital provision	1,870	1,540	540	403
Accretion of convertible debentures	(332)	(314)	(87)	(81)
Funds from operations	22,684	20,207	7,526	4,584
(Increase) decrease in accounts receivable	451	(1,168)	(485)	(542)
Increase in prepaid expenses	(1,492)	(413)	(2,574)	(1,284)
Increase (decrease) in rental deposits	380	163	158	(146)
Increase (decrease) in accounts payable and accrued liabilities	12,167	1,503	(2,181)	(9,031)
Increase (decrease) in unearned revenue	782	168	(316)	(90)
IFRIC 21 property tax liability adjustment, net	-	-	3,946	2,782
Accretion of convertible debentures	332	314	87	81
Amortization of transaction costs	638	655	181	194
Interest income	(112)	(38)	(13)	(11)
Interest expense	21,133	18,831	5,903	4,677
Distributions to subsidiary's preferred unitholders	16	16	4	4
Net cash provided from operating activities	\$ 56,979	\$ 40,238	\$ 12,236	\$ 1,218

Notes:

⁽¹⁾ Restated FFO and AFFO amounts for the three months and year ended December 31, 2016 to remove amortization of transaction costs and mortgage prepayment expense.

Capital Resources

Cash generated by investment properties represents the primary source of funds to fund total distributions to unitholders of \$27,193,282 for the year ended December 31, 2017 (year ended December 31, 2016 - \$20,504,317).

There are no significant working capital requirements that currently exist and there are no pending items that may affect liquidity. There are no legal or practical restrictions on the ability of Pure Multi-Family's properties to transfer funds to Pure Multi-Family.

Proceeds from the issuance of Class A Units, Warrants, Convertible Debentures and conventional mortgage financing have been used mainly to fund property acquisitions. Pure Multi-Family intends to refinance any mortgages which mature within six months of maturity.

Management expects to be able to meet all of Pure Multi-Family's ongoing obligations and to finance future growth through cash generated by operations, the issuance of securities and debt financing. Pure Multi-Family is not in default or arrears on any of its obligations including distribution payments, interest or principal payments on debt.

Distributed Cash

In accordance with National Instrument 41-201, Pure Multi-Family is required to provide additional disclosure relating to cash distributions.

For the years ended December 31, 2017 and 2016, cash provided from operating activities, less interest paid (“adjusted cash provided from (used by) operating activities”), was greater than cash distributions declared. For the three months ended December 31, 2017, adjusted cash provided from (used by) operating activities was less than cash distributions declared, which was primarily due to the decrease in non-cash working capital items. For the three months ended December 31, 2016, adjusted cash provided from (used by) operating activities, was less than cash distributions declared due to a non-recurring expense in the amount of \$5,188,836, incurred by Pure Multi-Family on the mortgage refinancing of Prairie Creek Villas. Management expects that adjusted cash provided from (used by) operating activities, on an annual basis, will exceed cash distributions declared.

<i>(\$000's)</i>	For the year ended December 31, 2017	For the year ended December 31, 2016	For the three months ended December 31, 2017	For the three months ended December 31, 2016
Cash provided from operating activities	\$ 56,979	\$ 40,238	\$ 12,236	\$ 1,218
Less interest paid	(20,759)	(18,651)	(5,547)	(4,329)
Adjusted cash provided from (used by) operating activities	36,220	21,587	6,689	(3,111)
Actual cash distributions declared	27,193	20,504	7,443	5,487
Surplus (shortfall) of cash from operating activities over cash distributions declared	\$ 9,027	\$ 1,083	\$ (755)	\$ (8,598)

For the years ended December 31, 2017 and 2016, net income was greater than cash distributions declared. For the three months ended December 31, 2017 and 2016, net income was less than cash distributions declared primarily due to the combination of the timing and use of excess cash on the balance sheet held during the current period and the acquisition of investment properties which were going through their stabilization period during the current period. Management expects annual net income to continue to exceed cash distributions declared, over time.

<i>(\$000's)</i>	For the year ended December 31, 2017	For the year ended December 31, 2016	For the three months ended December 31, 2017	For the three months ended December 31, 2016
Net income	\$ 43,196	\$ 48,164	\$ 3,078	\$ 3,259
Actual cash distributions declared	27,193	20,504	7,443	5,487
Surplus (shortfall) of net income over cash distributions declared	\$ 16,003	\$ 27,660	\$ (4,365)	\$ (2,228)

CAPITAL STRUCTURE

Pure Multi-Family defines capital as the aggregate of partners’ capital, preferred units of subsidiary and long-term debt. Pure Multi-Family’s objectives in managing capital are to maintain a level of capital that complies with investment and debt restrictions pursuant to the initial offering prospectus; complies with existing debt covenants, if any; funds its business strategies; and builds long-term partners’ value. Pure Multi-Family’s capital structure is approved by the board of directors of the Governing GP through its periodic reviews.

The LP Agreement provides for a maximum indebtedness level of up to 70% of the gross book value. The term “indebtedness” means any obligation of Pure Multi-Family for borrowed money (including the face amount outstanding under any convertible debentures and any outstanding liabilities of Pure Multi-Family arising from the issuance of subordinated notes, but excluding any premium in respect of indebtedness assumed by Pure Multi-Family for which Pure Multi-Family has the benefit of an interest rate subsidy), but excludes trade accounts payable, distributions payable to unitholders, preferred units of subsidiary, accrued liabilities arising in the ordinary course of business and short-term acquisition credit facilities. The LP Agreement defines “gross book value” as the book value of the assets of Pure Multi-Family plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets), the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by Pure Multi-Family. Pure Multi-Family’s indebtedness is 53.4% as at December 31, 2017 (December 31, 2016 – 55.2%). Pure Multi-

Family was in compliance with all of its investment and debt restrictions during the year ended December 31, 2017 and the year ended December 31, 2016.

Maintaining a relatively low indebtedness ratio is important in current economic conditions because it allows Pure Multi-Family to access additional financing, if necessary.

The LP Agreement allows the board of directors of the Governing GP, at their discretion, to allocate to the unitholders in each year all or a portion of Pure Multi-Family's income for the year, as calculated in accordance with the Tax Act, after all permitted deductions under the Tax Act have been taken. The board of directors of the Governing GP also reviews the cash distributions paid to the unitholders on a regular basis. Pure Multi-Family declared distributions in the amount of \$26,193,594 to Class A Unitholders and \$999,688 to Class B Unitholders during the year ended December 31, 2017 (year ended December 31, 2016 - \$19,514,630 and \$989,687 respectively).

The capital structure consisted of the following components at December 31, 2017 and December 31, 2016:

<i>(\$000's)</i>	December 31, 2017	December 31, 2016	Change
Capital			
Mortgages payable	\$ 576,253	\$ 447,827	\$ 128,426
Credit Facility	25,762	-	25,762
Convertible debentures	21,115	20,793	322
Preferred units of subsidiary	125	125	-
Partners' capital	518,607	370,162	148,445
Total Capital	\$ 1,141,862	\$ 838,907	\$ 302,955

The total capital of Pure Multi-Family increased from December 31, 2016 to December 31, 2017 primarily due to the April 2017 and June 2017 Offerings, new mortgages and credit facility obtained on seven investment property acquisitions, and net income earned from operations. This was partially offset by the repayment of mortgages payable and distributions declared to the unitholders.

FINANCIAL INSTRUMENTS

For certain of Pure Multi-Family's financial instruments, including cash and cash equivalents, amounts receivable, mortgage reserve fund, and accounts payable and accrued liabilities, the carrying amounts approximate the fair values due to the short-term nature of the instruments.

The fair values of the mortgages payable and preferred units of subsidiary have been calculated based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions. Discount rates are either provided by lenders or are observable in the open market. The fair value of the convertible debentures has been calculated using quoted prices in active markets.

	December 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>(\$000's)</i>				
Mortgages payable	\$ 576,253	\$ 547,121	\$ 447,827	\$ 440,116
Credit facility payable	25,762	26,000	-	-
Convertible debentures	21,115	23,919	20,793	25,151
Preferred units of subsidiary	125	125	125	125

OFF-BALANCE SHEET ITEMS

Pure Multi-Family does not have any off-balance sheet items.

SECTION III**SUMMARY OF SELECTED ANNUAL INFORMATION**

<i>Pure Multi's interest</i> <i>(\$000's, except per unit basis)</i>	For the year ended December 31, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015
Rental revenue	\$ 93,099	\$ 76,414	\$ 58,876
Net rental income	49,859	41,692	32,696
Net income and comprehensive income	43,196	48,164	51,179
Total assets	1,170,675	853,372	691,153
Total non-current assets	1,133,501	778,547	613,682
Total liabilities	652,068	483,210	386,879
Total non-current liabilities	618,692	465,139	372,776
Distributions	27,193	20,504	15,810
Per Class A Unit	\$ 0.38	\$ 0.38	\$ 0.38
Per Class B Unit	\$ 5.00	\$ 4.95	\$ 3.95
Basic net income per Class A Unit	\$ 0.60	\$ 0.89	\$ 1.22
Basic net income per Class B Unit	\$ 8.04	\$ 11.67	\$ 12.79

Pure Multi-Family's total assets and liabilities have increased significantly during the year ended December 31, 2017 due to investment property acquisitions and their related mortgages, the acquisition of a new credit facility, the issuance of equity, and fair value increases of its investment properties. As at December 31, 2017, Pure Multi held 22 investment properties comprising 7,085 residential units and 6,450,687 gross rentable square feet, compared to 15 investment properties with 5,229 residential units and 4,774,758 gross rentable square feet as at December 31, 2016.

Total rental revenue from the investment properties totaled \$93.1 million for the year ended December 31, 2017 compared to \$76.4 million for the year ended December 31, 2016. This increase is reflective of the increase in the number of days the investment properties were operating during 2017 compared to 2016, due to the timing of acquisitions and dispositions, coupled with the organic growth in rental revenue achieved at the investment properties operated during both periods.

SUMMARY OF QUARTERLY RESULTS

During the three months ended December 31, 2017, based on Pure Multi's interest:

- Total assets increased to \$1,170,675,160 from \$1,115,605,699 as at September 30, 2017. This increase was primarily due to the acquisition of investment properties during the current quarter, which were partially funded through debt. As at December 31, 2017, Pure Multi-Family had cash and cash equivalents of \$25,862,723, funds held in trust of \$nil, and investment properties of \$1,133,501,407, compared to \$59,676,112, \$32,737,300 and \$1,013,652,235, respectively, as at September 30, 2017.
- Total liabilities increased to \$652,068,282 from \$592,617,809 as at September 30, 2017. This increase was primarily due to an increase in mortgages payable and the acquisition of a credit facility.
- Partners' capital decreased to \$518,606,878 from \$522,983,890 as at September 30, 2017. This decrease was a result of distributions declared to unitholders, being partially offset by net income earned during the quarter.
- Pure Multi-Family earned rental revenue of \$26,200,371 from investment properties (three months ended December 31, 2016 - \$20,115,884). These properties incurred operating expenses of \$11,124,393, resulting in net rental income of \$15,075,978 during the three months ended December 31, 2017 (three months ended December 31, 2016 - \$9,844,692 and \$10,271,192, respectively). The increase in rental revenue, operating expenses and net rental income, compared to the prior year, are primarily attributable to Pure Multi-Family operating additional investment properties, the elimination of property management fees in the current quarter due to the internalization of the property management function, and organic rental revenue growth, which was partially offset by an increase in property tax expense.
- Pure Multi-Family incurred interest expense of \$6,170,566 and distributions to subsidiary's preferred unitholders of \$3,906 (three months ended December 31, 2016 - \$4,952,174 and \$3,906, respectively). The increase in net finance expense was primarily due to the additional mortgage interest costs during the period.
- Pure Multi-Family incurred general and administrative expenses of \$1,683,447, fair value adjustment gain to investment properties of \$4,448,216 and franchise tax expense of \$129,407 (three months ended December 31, 2016 - \$567,793, \$159,519 and \$101,969, respectively). General and administrative expenses increased in the quarter primarily due to one-time internalization costs of \$219,217 incurred to transition from an external management system to a fully internalized one and the additional related costs arising from internalization, such as office space, salaries and systems support.
- Pure Multi-Family earned net income of \$3,077,869 (three months ended December 31, 2016 - \$3,259,020), as a result of the above transactions.

<i>Pure Multi's interest</i> Quarter ended (\$000's, except per unit amounts)	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Rental revenue	\$ 26,200	\$ 24,257	\$ 21,804	\$ 20,837
Operating expenses	11,124	11,888	10,491	9,738
Net rental income	15,076	12,369	11,313	11,099
Interest expense	(6,171)	(5,704)	(5,187)	(5,042)
General and administrative expenses	(1,683)	(1,645)	(1,240)	(799)
Fair value adjustments to investment properties	(4,448)	1,730	11,615	11,615
Net income and comprehensive income	3,078	6,668	16,407	17,043
Basic net income per unit				
Class A Units	0.04	0.08	0.24	0.29
Class B Units	0.52	1.12	3.19	3.87

<i>Pure Multi's interest</i> Quarter ended (\$000's, except per unit amounts)	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Rental revenue	\$ 20,116	\$ 19,864	\$ 19,369	\$ 17,066
Operating expenses	9,845	9,158	8,400	7,320
Net rental income	10,271	10,706	10,969	9,746
Interest expense	(4,952)	(5,996)	(4,705)	(4,146)
General and administrative expenses	(568)	(322)	(282)	(268)
Fair value adjustments to investment properties	160	9,754	8,264	11,262
Net income and comprehensive income	3,259	14,163	14,248	16,494
Basic net income per unit				
Class A Units	0.06	0.26	0.28	0.32
Class B Units	0.75	3.42	3.56	4.12

As at (\$000's)	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total assets	\$ 1,170,675	\$ 1,115,602	\$ 1,061,323	\$ 898,779
Total liabilities	652,068	592,618	537,571	517,142
Partners' capital	518,607	522,984	523,752	381,637
Investment properties	1,133,501	1,013,652	961,684	871,129
Mortgages payable	576,253	543,906	497,002	483,090

As at (\$000's)	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Total assets	\$ 853,372	\$ 868,683	\$ 793,016	\$ 777,579
Total liabilities	483,210	505,917	467,476	461,650
Partners' capital	370,162	362,766	325,540	315,929
Investment properties	778,547	834,465	752,412	743,132
Mortgages payable	447,827	463,837	430,518	431,106

The selected quarterly information noted above highlights fluctuations over the most recently completed eight quarters. The fluctuations are generally due to the timing of new investment property acquisitions, dispositions and

fair value changes of the investment properties under IFRS, and are not generally reflective of seasonality or cyclicity. Operating expenses include property tax expense related to the investment properties. Depending on when prior period property tax appeals are settled, the operating expenses can demonstrate volatility due to nature of the timing of when the property tax appeal settlement is recognized into the operating expenses.

SECTION IV

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions during the reporting period that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Pure Multi-Family's significant accounting policies are described in note 3 to the December 31, 2017 audited consolidated financial statements, available on SEDAR at www.sedar.com and on Pure Multi-Family's website at www.puremultifamily.com.

The policies that are most subject to estimation and judgment are outlined below.

Valuation of Investment Properties

The fair value of the investment properties is determined by management, using recognized valuation techniques supported, in certain instances, by independent real estate valuation experts.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (based on factors such as tenant profiles, future revenue streams and overall repair and condition of the property), capitalization rates and discount rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, together with the appraisals, in their determination of the fair value of the investment properties:

The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal obtained and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an appraisal is not obtained at the reporting date, management uses the approaches described above to estimate the fair value of the investment properties.

ACCOUNTING STANDARDS NOT YET ADOPTED

Pure Multi-Family's significant accounting policies are described in note 3 to the December 31, 2017 audited consolidated financial statements, available on SEDAR at www.sedar.com and on Pure Multi-Family's website at www.puremultifamily.com.

Standards issued but not yet effective

(a) IFRS 9 - Financial instruments

On July 24, 2014 the IASB issued the complete IFRS 9, Financial Instruments ("IFRS 9 (2014)").

The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

Pure Multi-Family will adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on January 1, 2018. Management has determined there will be no material impact on the consolidated financial statements.

(b) IFRS 15 – Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers, and SIC 31, Revenue – Barter Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts that fall in the scope of other IFRSs.

Pure Multi-Family will to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2018. Management has determined there will be no material impact on the consolidated financial statements.

(c) IFRS 16 – Leases

On January 13, 2016 the IASB issued IFRS 16, Leases ("IFRS 16"). The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, Leases ("IAS 17").

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

Pure Multi-Family intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. Management does not expect the standard to have a material impact on the consolidated financial statements.

SECTION V
RISKS AND UNCERTAINTIES

All income producing property investments are subject to a degree of risk and uncertainty. They are affected by various factors including general market conditions and local market circumstances. An example of general market conditions would be the availability of long-term financing whereas local conditions would relate to factors affecting specific properties in a particular geographic location, such as changes in market lease rates as a result of an over-supply of space or a reduction in demand for real estate. Management attempts to manage these risks by acquiring investment properties in various cities with strong economic and growth indicators, and engaging property management groups with local knowledge and experience.

The board of directors of the Governing GP has the overall responsibility for the establishment and oversight of Pure Multi-Family's risk management framework. Pure Multi-Family's risk management policies are established to identify and analyze the risks faced by Pure Multi-Family, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to Pure Multi-Family's activities.

In the normal course of business, Pure Multi-Family is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Interest Rate and Financial Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. Pure Multi-Family is exposed to financial risk from the interest rate differentials between the market rate and the rates used on these financial instruments.

Pure Multi-Family manages its financial instruments and interest rate risks based on its cash flow needs. Pure Multi-Family minimizes interest rate risk by obtaining long-term, fixed rate mortgages whenever possible. It targets a conservative ratio of debt to gross book value within the range of 50% to 60% and is restricted under the LP Agreement to a maximum of 70%. As Pure Multi-Family does not have any mortgages payable maturing prior to 2019 and all of the mortgages payable bear interest at fixed rates, with only the outstanding credit facility bearing interest at a variable rate, Pure Multi-Family does not face significant interest rate risk in the context of its outstanding debt.

The profile of Pure Multi-Family's interest-bearing financial instruments was:

<i>(\$000's)</i>	Face Value	
	December 31, 2017	December 31, 2016
Fixed rate instruments		
Mortgages payable	\$ 580,756	\$ 451,427
Credit facility	26,000	-
Convertible debentures	22,780	22,990
Preferred units of subsidiary	125	125
	\$ 629,661	\$ 474,542

Credit Risk

Credit risk is the risk of financial loss to Pure Multi-Family if a tenant, customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Pure Multi-Family's receivables from tenants.

Pure Multi-Family's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. Pure Multi-Family, through the US REIT, minimizes the risk by checking tenants' credit histories, requesting security deposits and initiating a prompt collection process. In addition, there is no concentration of credit risk due to the large number of individual tenants.

Currency Risk

Pure Multi-Family is exposed to minimal currency risk as a relatively small portion of the expenses are in Canadian dollars.

Lease Rollover Risk

Lease rollover risk arises from the possibility that Pure Multi-Family may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon lease expiry. All leases of Pure Multi-Family's investment properties have lease terms of one year or less. Typically, Pure Multi-Family instructs its property managers to initiate the renewal process before the existing leases expire. For any vacant spaces, Pure Multi-Family uses qualified leasing agents to actively market the spaces.

Class A Unit Prices

It is not possible to predict the price at which Class A Units will trade and there can be no assurance that an active trading market for the Class A Units will be sustained. The Class A Units will not necessarily trade at values determined solely by reference to the value of the investment properties of Pure Multi-Family. Accordingly, the Class A Units may trade at a premium or discount to the value implied by the value of Pure Multi-Family's investment properties. The market price for the Class A Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond Pure Multi-Family's control.

Environmental Risk

As an owner of real property, Pure Multi-Family is subject to various federal, state and municipal laws relating to environmental matters.

Management carries out environmental inspections, by qualified environmental consultants, before a property is purchased. Management is not aware of any material non-compliance with environmental laws with respect to the current portfolio and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with the current portfolio.

Liquidity Risk

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Pure Multi-Family's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Pure Multi-Family were required to liquidate a real property investment, the proceeds to Pure Multi-Family might be significantly less than the aggregate carrying value of such property.

Liquidity risk is the risk that Pure Multi-Family will not be able to meet its financial obligations as they fall due. Pure Multi-Family's approach to managing liquidity is to ensure that it will have sufficient cash available to meet its liabilities when due. In addition, Pure Multi-Family intends to refinance any mortgages which mature within six months.

The following table provides the future non-discounted scheduled payments of financial liabilities, including estimated interest payments:

Year ended December 31, <i>(\$000's)</i>	2018	2019	2020	2021	2022	2023 and thereafter
Mortgages payable (principal and interest)	\$ 25,906	\$ 87,208	\$ 25,878	\$ 62,565	\$ 54,102	\$ 502,282
Credit facility (principal and interest)	946	946	26,868	-	-	-
Convertible debentures payable (principal and interest)	1,481	1,481	23,891	-	-	-
Preferred units of subsidiary (principal and interest)	16	16	16	16	16	140,625
Accounts payable and accrued liabilities	25,498	-	-	-	-	-
Total	\$ 53,847	\$ 89,651	\$ 76,653	\$ 62,581	\$ 54,118	\$ 642,907

Tax Risk

The US REIT currently qualifies as a real estate investment trust for U.S. federal income tax purposes. Thus, the US REIT is not subject to U.S. federal income tax. If the US REIT does not qualify or ceases to qualify as a REIT under the REIT exception, adverse consequences could arise including a material reduction of distributions to unitholders and Pure Multi-Family.

There can be no assurance that Canadian or U.S. federal income tax laws regarding the treatment of REITs will not be changed, or that administrative and assessment practices of the Canada Revenue Agency or IRS will not develop in a manner which adversely affects Pure Multi-Family or its unitholders.

Administration in the United States

The Administration in the United States may bring about changes in social, political, regulatory, tax and economic conditions or in laws and policies governing foreign trade, development and investment that could potentially cause significant volatility in global financial markets, including in global currency and debt markets. Such volatility could cause a slowdown in economic activities in the United States, Canada or globally, which could adversely affect Pure Multi-Family's operating results and growth prospects, the extent of which may not be identifiable as of the date hereof.

RELATED PARTY TRANSACTIONS

Managing GP

Pure Multi-Family is related to the Managing GP, by virtue of having an officer and director in common (Stephen Evans). Pure Multi-Family declared distributions to the Managing GP in the amount of \$999,688 during the year ended December 31, 2017 (\$989,687 during the year ended December 31, 2016). Included in accounts payable and accrued liabilities at December 31, 2017 was \$nil (December 31, 2016 - \$nil) payable to the Managing GP.

Tipton Asset Group, Inc.

Tipton Asset Group, Inc. (“Tipton”) was the property manager for Pure Multi-Family up until September 30, 2017. Pure Multi-Family is related to Tipton by virtue of having an officer and director in common (Bryan Kerns) with a subsidiary of Pure Multi-Family. Tipton charged property management fees in the amount of \$1,858,703 during the year ended December 31, 2017 (year ended December 31, 2016 \$2,301,288). During the year ended December 31, 2017, Tipton charged due diligence and acquisition analysis fees of \$706,741 (year ended December 31, 2016 - \$nil), which were capitalized upon the acquisition of the related properties. Included in accounts payable and accrued liabilities at December 31, 2017 was \$nil (December 31, 2016 - \$nil) payable to Tipton.

Asset Management Agreement

Effective September 1, 2016, Pure Multi-Family terminated its Asset Management Agreement with the Managing GP, as permitted upon the triggering of the Determination Event. No penalties were incurred upon termination of the Asset Management Agreement

Compensation

The Directors who are not affiliated with or employees of the Managing GP receive annual compensation, in addition to fees for attending meetings of the directors or any committee, and acting as committee chairs and members. As well, the Governing GP indirectly reimburses such directors for any out of pocket expenses, including out of pocket expenses for attending meetings. Pure Multi-Family reimburses the Governing GP for such amounts. In addition, Pure Multi-Family has obtained insurance coverage for such directors. Compensation is reviewed on an annual basis, giving consideration to Pure Multi-Family’s growth and the extent of its portfolio.

As part of the internalization of asset management, as described in *Asset Management Agreement*, certain key personnel of the Managing GP became corporate employees of a subsidiary of Pure Multi-Family effective September 1, 2016.

Key corporate personnel have the authority and responsibility for planning, directing and controlling the activities of Pure Multi-Family, directly or indirectly. Pure Multi-Family’s key personnel include the Chief Executive Officer, Chief Financial Officer, Vice Presidents and the Directors. Salaries, bonuses, directors’ fees and other short-term employee benefits and incentives are accrued when earned and are as follows:

<i>(\$000’s)</i>	For the year ended	
	December 31, 2017	December 31, 2016
Salaries, directors’ fees, and other short-term benefits	\$ 1,897	\$ 505

There was no unit based compensation expense incurred by Pure Multi-Family during the years ended December 31, 2017 and December 31, 2016.

OUTSTANDING UNIT DATA

Except as set out in the LP Agreement, no Class A Unit or Class B Unit has any preference or priority over another. The Class A Units and the Class B Units have voting rights as set out in the LP Agreement.

As at March 7, 2018, the following of Pure Multi-Family’s securities were outstanding:

- (a) 200,000 Class B Units. Pursuant to the LP Agreement, the Class B Unitholders as a class are entitled to convert some or all of their Class B Units into a maximum of 2,665,835 Class A Units;
- (b) 76,731,540 Class A Units; and

- (c) 22,770 Convertible Debentures. The Convertible Debentures are convertible at the option of the holder and redeemable by Pure Multi-Family in accordance with the terms of the trust indenture dated August 7, 2013. See “Financial Condition – Convertible Debentures”.

SECTION VI

SUBSEQUENT EVENTS

- a) On February 2, 2018, 10 of the remaining outstanding 22,780 6.5% convertible debentures were converted into 1,769 Class A Units.

ADDITIONAL INFORMATION

Additional information relating to Pure Multi-Family is available on SEDAR at www.sedar.com and on Pure Multi-Family’s website at www.puremultifamily.com.

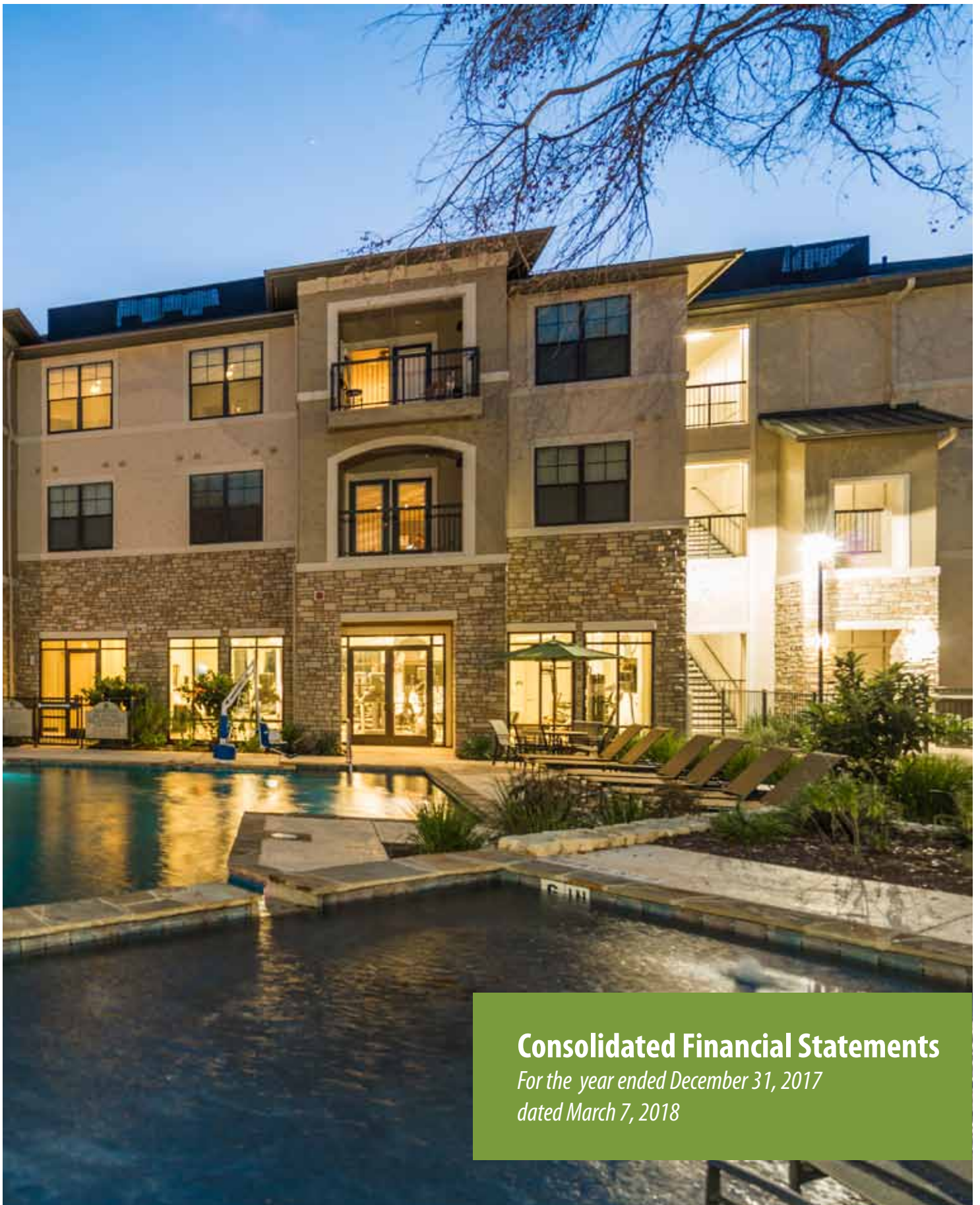
TRADING SYMBOLS

TSX Venture Exchange: RUF.U, RUF.UN, RUF.DB.U

OTCQX: PMULF



Brackenridge at Midtown, San Antonio, Texas



Consolidated Financial Statements

For the year ended December 31, 2017

dated March 7, 2018

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KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
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INDEPENDENT AUDITORS' REPORT

To the Directors of Pure Multi-Family REIT (GP) Inc.

We have audited the accompanying consolidated financial statements of Pure Multi-Family REIT LP, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, the consolidated statements of partners' capital, income and comprehensive income and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pure Multi-Family REIT LP as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

March 7, 2018
Vancouver, Canada

Pure Multi-Family REIT LP
Consolidated Statement of Financial Position
(expressed in thousands of United States dollars)

	December 31, 2017	December 31, 2016
ASSETS		
Non-current assets		
Investment properties (note 4)	\$ 1,133,501	\$ 778,547
Current assets		
Prepaid expenses	3,361	1,869
Mortgage reserve fund (note 5)	6,421	5,194
Amounts receivable	1,529	1,980
Cash held in trust	-	45,179
Cash and cash equivalents	25,863	20,603
	37,174	74,825
TOTAL ASSETS	\$ 1,170,675	\$ 853,372
LIABILITIES		
Non-current liabilities		
Mortgages payable (note 6)	\$ 571,690	\$ 444,221
Credit Facility (note 7)	25,762	-
Convertible debentures (note 8)	21,115	20,793
Preferred units of subsidiary (note 9)	125	125
	618,692	465,139
Current liabilities		
Mortgages payable (note 6)	4,563	3,606
Rental deposits	1,548	1,168
Unearned revenue	1,767	985
Accounts payable and accrued liabilities	25,498	12,312
	33,376	18,071
TOTAL LIABILITIES	652,068	483,210
PARTNERS' CAPITAL (note 10)	518,607	370,162
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$ 1,170,675	\$ 853,372

Subsequent event (note 20)

The accompanying notes are an integral part of these consolidated financial statements

Pure Multi-Family REIT LP
Consolidated Statement of Partners' Capital
(expressed in thousands of United States dollars)

	Limited Partners Class A	Limited Partners Class B	General Partner	Other Equity Items (note 10)	Accumulated Earnings	Total
Balance, December 31, 2016	\$ 269,187	\$ 1,000	\$ -	\$ 1,984	\$ 97,991	\$ 370,162
Issuance of units	138,398	-	-	-	-	138,398
Offering costs	(6,147)	-	-	-	-	(6,147)
Debenture conversion	210	-	-	(19)	-	191
Distributions to limited partners	-	-	-	-	(27,193)	(27,193)
Net income for the period	-	-	-	-	43,196	43,196
Balance, December 31, 2017	\$ 401,648	\$ 1,000	\$ -	\$ 1,965	\$ 113,994	\$ 518,607

	Limited Partners Class A	Limited Partners Class B	General Partner	Other Equity Items (note 10)	Accumulated Earnings	Total
Balance, December 31, 2015	\$ 230,278	\$ 1,000	\$ -	\$ 2,665	\$ 70,331	\$ 304,274
Issuance of units	39,639	-	-	-	-	39,639
Conversion of warrants, net of costs	680	-	-	(680)	-	-
Offering costs	(1,420)	-	-	-	-	(1,420)
Debenture conversion	10	-	-	(1)	-	9
Distributions to limited partners	-	-	-	-	(20,504)	(20,504)
Net income for the period	-	-	-	-	48,164	48,164
Balance, December 31, 2016	\$ 269,187	\$ 1,000	\$ -	\$ 1,984	\$ 97,991	\$ 370,162

The accompanying notes are an integral part of these consolidated financial statements

Pure Multi-Family REIT LP
Consolidated Statement of Income and Comprehensive Income
(expressed in thousands of United States dollars, except units and per unit amounts)

Year ended	December 31, 2017	December 31, 2016
REVENUES		
Rental	\$ 93,099	\$ 76,414
OPERATING EXPENSES		
Insurance	1,908	1,588
Property management	1,859	2,301
Property taxes	15,647	11,185
Property operating expenses	20,916	16,706
	40,330	31,780
NET RENTAL INCOME	52,769	44,634
NET FINANCE INCOME (EXPENSES)		
Interest income	112	38
Interest expense (note 11)	(22,104)	(19,799)
Distributions to subsidiary's preferred unitholders	(16)	(16)
	(22,008)	(19,777)
NET OTHER INCOME (EXPENSES)		
Other income (expenses)	663	18
General and administrative	(5,369)	(1,438)
Fair value adjustments to investment properties (note 4)	17,602	26,498
Franchise tax	(461)	(287)
Loss on disposal of investment properties (note 4)	-	(1,484)
	12,435	23,307
NET INCOME AND COMPREHENSIVE INCOME	\$ 43,196	\$ 48,164
Earnings per Class A unit		
Basic	\$ 0.60	\$ 0.89
Diluted (note 19)	\$ 0.60	\$ 0.86
Weighted average number of Class A units		
Basic	68,926,987	51,553,540
Diluted (note 19)	72,958,845	55,739,002
Earnings per Class B unit		
Basic	\$ 8.04	\$ 11.67
Diluted	\$ 7.96	\$ 11.67
Weighted average number of Class B units		
Basic and diluted	200,000	200,000

The accompanying notes are an integral part of these consolidated financial statements

Pure Multi-Family REIT LP
Consolidated Statement of Cash Flows
(expressed in thousands of United States dollars)

Year ended	December 31, 2017	December 31, 2016
Cash provided by (used in)		
OPERATIONS		
Net income	\$ 43,196	\$ 48,164
Items not involving cash:		
Amortization of transaction costs and accretion of convertible debentures	970	968
Fair value adjustments to investment properties (note 4)	(17,602)	(26,498)
Property tax adjustments on acquisitions	(2,910)	(3,067)
Property tax adjustments on sale	-	125
Loss on disposal of investment properties (note 4)	-	1,484
Interest income	(112)	(38)
Interest expense	21,134	18,831
Distributions to subsidiary's preferred unitholders	16	16
Net change in non-cash working capital items (note 13)	12,288	253
	56,980	40,238
INVESTING		
Acquisitions of investment properties	(329,520)	(188,592)
Capital additions to investment properties	(4,922)	(3,933)
Cash held in trust	45,179	(22,474)
Interest received	112	38
Proceeds received on disposal of investment properties	-	57,100
Disposition costs on disposal of investment properties	-	(1,484)
	(289,151)	(159,345)
FINANCING		
Distribution paid to subsidiary's preferred unitholders	(16)	(16)
Distributions paid to limited partners	(26,548)	(20,285)
Interest paid	(20,759)	(18,651)
Mortgage proceeds received	133,000	121,000
Repayment of mortgages payable	(3,671)	(26,649)
Credit facility received	29,000	-
Repayment of credit facility	(3,000)	-
Funds from mortgage reserve fund	(1,227)	1,377
Payment of finance transaction costs	(1,599)	(1,213)
Proceeds from the issuance of limited partner units	138,398	39,640
Unit offering costs	(6,147)	(1,420)
	237,431	93,783
Net change in cash and cash equivalents	5,260	(25,324)
Cash and cash equivalents, beginning of year	20,603	45,927
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 25,863	\$ 20,603
Supplemental cash flow information:		
Non-cash financing:		
Distributions to the limited partners included in accounts payable and accrued liabilities	\$ 2,398	\$ 1,752
Conversion of convertible debentures	191	9

The accompanying notes are an integral part of these consolidated financial statements

Pure Multi-Family REIT LP
Notes to Consolidated Financial Statements

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

1. PURE MULTI-FAMILY REIT LP INFORMATION

Pure Multi-Family REIT LP (“Pure Multi-Family”) is a limited partnership formed under the *Limited Partnership Act* (Ontario) to invest in multi-family real estate properties in the United States. Pure Multi-Family was established by Pure Multifamily Management Limited Partnership (the “Managing GP”), its managing general partner, and Pure Multi-Family REIT (GP) Inc. (the “Governing GP”), its governing general partner, pursuant to the terms of the Limited Partnership Agreement (“LP Agreement”). Pure Multi-Family’s head office and address for service is located at 910 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

Pure Multi-Family was established for, among other things, the purposes of:

- acquiring common shares and a Series A preferred share of Pure US Apartments REIT Inc. (the “US REIT”);
- temporarily holding cash and investments for the purposes of paying the expenses and liabilities of Pure Multi-Family and making distributions to Unitholders;
- in connection with the undertaking set out above, reinvesting income and gains of Pure Multi-Family and taking other actions besides the mere protection and preservation of Pure Multi-Family property.

The US REIT was established for, among other things, the purposes of acquiring, owning and operating multi-family real estate properties in the United States.

These consolidated financial statements for the year ended December 31, 2017 were authorized for issue by the Board of Directors of the Governing GP (the “Board”) on March 7, 2018.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

A. Statement of compliance and basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) incorporating interpretations issued by the IFRS Interpretations Committee (“IFRICs”).

B. Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for investment properties which have been measured at fair value.

The preparation of these consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying Pure Multi-Family’s accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3(R).

C. Functional and presentation currency

These consolidated financial statements are presented in United States dollars, which is Pure Multi-Family’s functional currency.

D. Presentation of financial statements

Pure Multi-Family uses a classified statement of financial position. The consolidated statement of financial position distinguishes between current and non-current assets and liabilities. Current assets and liabilities are those expected to be recovered or settled within twelve months from the reporting date and non-current assets and liabilities are those where the recovery or settlement is expected to occur more than twelve months from the reporting date. Pure Multi-Family classifies the statements of income and comprehensive income using the function of expense method, which classifies expenses according to their functions, such as costs of operations or administrative activities.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting policies have been applied consistently by group entities unless otherwise stated.

A. Basis of consolidation

The consolidated financial statements comprise the financial statements of Pure Multi-Family and its subsidiaries, over which Pure Multi-Family has control. Control exists when Pure Multi-Family has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of subsidiaries are consolidated from the date that control commences and continue to be consolidated until the date that control ceases.

Intra-group transactions and balances are eliminated in preparing the consolidated financial statements. The consolidated financial statements reflect the financial position, results of operations and cash flows of Pure Multi-Family and its subsidiaries.

B. Translation of foreign currency

The functional and reporting currency of Pure Multi-Family is United States dollars. Pure Multi-Family has certain transactions in Canadian dollars. Monetary items are translated at the exchange rate in effect at the statement of financial position date and non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at the exchange rate in effect on the dates they occur. Realized and unrealized exchange gains and losses are included in earnings.

C. Property acquisitions and business combinations

Where property is acquired, management considers the substance of the agreement in determining whether the acquisition represents the acquisition of a property or a business combination. The basis of the judgment is set out in note 3(R).

Where such acquisitions are not judged to be a business combination, they are treated as asset acquisitions. The cost to acquire the property, including transaction costs, is allocated between the identifiable assets acquired and liabilities assumed based on their relative fair values at the acquisition date. Otherwise, acquisitions are accounted for as a business combination.

D. Investment properties

Investment properties are comprised of properties held to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are measured at fair value and related gains or losses on the disposal of an investment property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date the transaction occurred. Pure Multi-Family defines fair value to be the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Therefore, the fair value of recently acquired

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(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

investment property would be the purchase price. Any subsequent valuations performed on an investment property, after the acquisition date, would be the new basis for the fair value recorded on the investment property. Gains or losses arising from changes in fair values are included in the consolidated statement of income and comprehensive income in the period in which they arise.

An investment property is derecognized when it has been disposed of and no future economic benefit is expected from its disposal. Any gains or losses on the disposal of an investment property are recognized in the consolidated statement of income and comprehensive income in the period of disposal.

E. Fair value

Pure Multi-Family measures investment properties at fair value at each balance sheet date. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. In certain circumstances, the initial fair value may be based on other observable current market transactions, without modification or on a valuation technique using market based inputs.

Fair value measurements recognized in the statement of financial position are categorized in accordance with the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

F. Impairment of financial assets

At each reporting date, Pure Multi-Family assesses whether there is objective evidence that a financial asset is impaired. If a financial asset carried at amortized cost is impaired, the amount of the loss is measured as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The loss is recognized in impairment expense.

G. Financial instruments

Non-derivative financial assets and non-derivative financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and Pure Multi-Family's designation of such instruments.

Pure Multi-Family classifies its financial instruments as follows:

Cash and cash equivalents	Loans and receivables
Amounts receivable	Loans and receivables
Mortgage reserve fund	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Credit facility	Other financial liabilities
Convertible debentures	Other financial liabilities
Preferred units of subsidiary	Other financial liabilities
Mortgages payable	Other financial liabilities

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Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are accounted for at amortized cost, using the effective interest rate method, less any impairment losses.

Non-derivative financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are accounted for at amortized cost using the effective interest rate method.

H. Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and cash held at banks.

I. Cash held in trust

Cash held in trust consists of funds held in trust and refundable deposits, held pursuant to agreements of purchase and sale, which are to be used for the acquisition of investment properties.

J. Convertible debentures

Convertible debentures issued by Pure Multi-Family are converted into Class A units (each a “Class A Unit”) of Pure Multi-Family at the option of the holder, and the number of Class A Units to be issued does not vary with changes in their fair value.

Upon issuance, convertible debentures are separated into their debt and conversion feature components. The debt component of the convertible debenture is recognized initially at fair value of a similar debt instrument without a conversion feature. Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortized cost using the effective interest method.

The conversion feature of the convertible debentures is initially recognized at fair value. The convertible debentures are convertible into Class A Units at the holder’s option. As a result of this obligation, the convertible debentures are exchangeable into equity (the Class A Units are equity by definition) and accordingly the conversion feature component of the convertible debentures is also equity. The conversion feature component of the convertible debentures is recorded in the consolidated statement of partners’ capital.

Any directly attributable transaction costs are allocated to the debt and conversion components of the convertible debentures in proportion to their initial carrying amounts.

K. Operating segments

The primary format for segment reporting is based on geographical region and is consistent with the internal reporting provided to the chief operating decision-maker, determined to be the general partners. Pure Multi-Family currently operates in one business segment, the owning and operating of multifamily apartment properties in the sun-belt area in the United States.

L. Revenue recognition

Rental revenue is recognized on a straight-line basis over the term of the lease subject to ultimate collection being reasonably assured. Revenue includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements. Recoveries are recognized in the period in which the related operating expense was incurred and collectability is reasonably assured.

M. Leases

Leases are classified according to the substance of the transaction. Leases that transfer substantially all the risks and benefits of ownership from Pure Multi-Family to the lessees are accounted for as finance leases. All current leases of Pure Multi-Family are operating leases.

N. Finance income (expenses)

Finance income (expenses) consists of interest income, mortgage interest, credit facility interest, convertible debenture interest, distributions to preferred unitholders and preferred unit offering costs. Finance income is recognized in the period in which it is earned, while finance expenses are recognized in the period in which they are incurred.

O. Taxes

(i) Income Taxes

Pure Multi-Family is not subject to tax under Part I of the Income Tax Act (Canada) (the “Tax Act”). Each partner of Pure Multi-Family is required to include in computing the partner’s income for a particular taxation year the partner’s share of the income or loss of Pure Multi-Family for its fiscal year ending in or on the partner’s taxation year-end, whether or not any of that income or loss is distributed to the partner in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “SIFT Measures”). A specified investment flow-through partnership (a “SIFT partnership”, as defined in the Tax Act) will be subject to SIFT tax on its “taxable non-portfolio earnings” (as defined in the Tax Act) at a rate that is substantially equivalent to the general income tax rate applicable to Canadian corporations. The “taxable non-portfolio earnings” of a SIFT partnership less SIFT tax payable by a SIFT partnership is deemed to be a taxable dividend received by the SIFT partnership from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. Any such deemed taxable dividend would be allocated to the partners of a SIFT partnership and be taxable as taxable dividends in their hand. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” throughout the taxation year of the partnership. Management believes that the Pure Multi-Family does not hold any “non-portfolio property” and should not be a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. Management intends to continue to operate Pure Multi-Family in such a manner so as to remain exempt from the SIFT Measures on a continuous basis in the future. If Pure Multi-Family becomes a SIFT partnership it will be generally subject to income taxes at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations on its taxable non-portfolio earnings, if any.

Pure Multi-Family made a protective election to be treated as a partnership for U.S. federal income tax purposes. In addition, management believes at least 90% of Pure Multi-Family’s gross income for the taxation year is qualifying income within the meaning of U.S. Internal Revenue Code (the “Code”) section 7704 and Pure Multi-Family is not required to register as an investment company under the Investment Company Act of 1940. As such, it is generally not subject to U.S. federal income tax under the Code. Furthermore, Pure Multi-Family’s subsidiary, the US REIT, timely made and intends to maintain an election to be taxed as a U.S. real estate investment trust (“REIT”) under the Code and to take the necessary steps to qualify as a REIT pursuant to the Code. In order for the US REIT to qualify as a REIT, the US REIT must meet a number of organizational and operational requirements, including a requirement to make annual dividend distributions to its shareholders equal to a minimum of 90% of its REIT taxable income, computed without regards to a dividends paid deduction and net capital gains. As a REIT, the US REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed as a dividend to shareholders annually. Management believes that all REIT conditions necessary to eliminate income taxes for the reporting period have been met, and accordingly no provision for US federal and state income taxes has been made

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Management intends to operate the US REIT in such a manner so as to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual and quarterly operating results, the various conditions imposed by the Code. If the US REIT fails to qualify as a REIT in any taxable year, it will be subject to US federal and state income taxes at regular US corporate rates. In addition, the US REIT may not be able to requalify as a REIT for the four subsequent taxable years. Even if the US REIT qualifies for taxation as a REIT, the US REIT may be subject to certain US state and local taxes on its income and property, and to US federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (“U.S. Tax Reform”). The U.S. Tax Reform made many significant changes to the U.S. federal tax laws, including reducing the U.S. federal corporate income tax rate from 35% to 21% effective as of January 1, 2018. Future regulations and interpretations to be issued by U.S. authorities may impact the Pure Multi-Family’s estimates and assumptions used in calculating its income tax provisions.

Pure Multi-Family’s indirect Canadian subsidiary, Pure Multi-Family Management Ltd. (“Management Co”), is a taxable Canadian corporation subject to Canadian income tax. Income tax expense comprises current tax. Current tax is recognized in net earnings.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Texas Franchise Tax

Texas Franchise Tax applicable to Pure Multi-Family, for its investment properties operated in Texas during the year ended December 31, 2017, is equal to 0.75% of the lesser of: (i) 70% of total revenue; (ii) 100% of total revenue less cost of goods sold; (iii) 100% of total revenue less compensation expense; or (iv) 100% of total revenue less \$1 million. Pure Multi-Family has recorded a provision for Texas Franchise Tax of \$460,952 for the year ended December 31, 2017 (year ended December 31, 2016 - \$287,241), which is included within other expenses in the consolidated statement of income and comprehensive income.

P. Earnings per unit

Basic and diluted earnings per Class A and Class B unit have been calculated based on the proportion of the earnings allocated to the respective class of units, and the respective weighted average number of Class A units and Class B units outstanding.

Q. Provisions

Provisions are recognized by Pure Multi-Family when: (i) Pure Multi-Family has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reasonably estimated. If the time value of money is material, provisions are discounted using a current rate that reflects the risk profile of the liability, and the increase to the provision due to the passage of time will be recognized as interest expense.

R. Significant accounting judgments and estimates

Judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities are reviewed on an ongoing basis. Actual results may differ from these estimates.

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(i) *Judgments*

In the process of applying Pure Multi-Family's accounting policies, management has made the following critical judgments, which have the most significant effects on the amounts recognized in the consolidated financial statements:

a) *Asset acquisitions*

Pure Multi-Family, through the US REIT, acquires individual real estate properties. At the time of acquisition, Pure Multi-Family considers whether or not the acquisition represents the acquisition of a business. Pure Multi-Family accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the property (e.g., maintenance, cleaning, security, bookkeeping, etc.).

When the acquisition of a property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition, including transaction costs, is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

All acquisitions to date by Pure Multi-Family have been determined to be asset acquisitions.

(ii) *Estimates*

The significant areas of estimation include the following:

a) *Valuation of investment properties*

The fair value of the investment properties is determined by management, using recognized valuation techniques supported, in certain instances, by independent real estate valuation experts.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (based on factors such as tenant profiles, future revenue streams and overall repair and condition of the property), capitalization rates and discount rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, together with the appraisals, in their determination of the fair value of the investment properties:

The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal obtained and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an appraisal is not obtained at the reporting date, management uses the approaches described above, for each investment property, and estimates the fair value.

The significant assumptions used by management in estimating the fair value of investment properties are set out in note 4.

S. Accounting standards not yet adopted

(i) Financial instruments: classification and measurement

On July 24, 2014 the IASB issued the complete IFRS 9, *Financial Instruments* (“IFRS 9 (2014)”).

The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment.

Pure Multi-Family will adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on January 1, 2018. Management has determined there will be no material impact on the consolidated financial statements.

(ii) Revenue recognition

On May 28, 2014 the IASB issued IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”). The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, but do not affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts that fall in the scope of other IFRSs.

Pure Multi-Family will adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2018. Management has determined there will be no material impact on the consolidated financial statements.

(iii) Leases

On January 13, 2016 the IASB issued IFRS 16, *Leases* (“IFRS 16”). The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases* (“IAS 17”).

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

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Pure Multi-Family intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. Management does not expect the standard to have a material impact on the consolidated financial statements.

4. INVESTMENT PROPERTIES

	2017
Balance, as at December 31, 2016	\$ 778,547
Acquisitions	329,520
Property tax adjustments on acquisitions and dispositions	2,910
Capital additions	4,922
Fair value adjustments to investment properties	17,602
Balance, as at December 31, 2017	\$ 1,133,501
	2016
Balance, as at December 31, 2015	\$ 613,682
Acquisitions	188,592
Dispositions	(57,100)
Property tax adjustments on acquisitions and dispositions	2,942
Capital additions	3,933
Fair value adjustments to investment properties	26,498
Balance, as at December 31, 2016	\$ 778,547

The investment properties are pledged as security against the mortgages payable.

A. 2017 Acquisitions

On January 25, 2017, Pure Multi-Family, through the US REIT, acquired PURE Creekside at Onion Creek (“Creekside”), a multi-family apartment community, located in Austin, Texas, for a purchase price of \$40,000,000, plus standard closing costs and adjustments. This acquisition was financed with cash, cash held in trust and a new 10-year mortgage in the amount of \$20,000,000.

On January 27, 2017, Pure Multi-Family, through the US REIT, acquired the Lansbrook at Twin Creeks (“Lansbrook”), a multi-family apartment community, located in Dallas, Texas, for a purchase price of \$40,000,000, plus standard closing costs and adjustments. This acquisition was financed with cash, cash held in trust and a new 5-year mortgage in the amount of \$16,500,000.

On June 9, 2017, Pure Multi-Family, through the US REIT, acquired PURE Park 28 (“Park 28”), a multi-family apartment community, located in Phoenix, Arizona, for a purchase price of \$29,700,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 15-year mortgage in the amount of \$14,850,000.

On June 15, 2017, Pure Multi-Family, through the US REIT, acquired the Pinnacle at Union Hills (“Pinnacle”), a multi-family apartment community, located in Phoenix, Arizona, for a purchase price of \$47,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash. Subsequent to the acquisition, on July 7, 2017, Pure Multi-Family obtained a new 7-year mortgage in the amount of \$23,750,000, secured by Pinnacle.

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On July 11, 2017, Pure Multi-Family, through the US REIT, acquired Pure at La Villita (“La Villita”), a multi-family apartment community, located in Dallas, Texas, for a purchase price of \$48,800,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 15-year mortgage in the amount of \$24,400,000.

On October 2, 2017, Pure Multi-Family, through the US REIT, acquired Pure Farmers Market Apartments (“Farmers Market”), a multi-family apartment community, located in Dallas, Texas, for a purchase price of \$66,350,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 12-year mortgage in the amount of \$33,500,000.

On November 29, 2017, Pure Multi-Family, through the US REIT, acquired Pure Fillmore Apartments (“Fillmore”), a multi-family apartment community, located in Phoenix, Arizona, for a purchase price of \$55,947,140, plus standard closing costs and adjustments. This acquisition was financed with cash and \$29,000,000 from a new secured corporate credit facility (*see note 7*).

B. 2016 Acquisitions

On March 1, 2016, Pure Multi-Family, through the US REIT, acquired Pure View at TPC (“Pure View”), a multi-family apartment community, located in San Antonio, Texas, for a purchase price of \$61,000,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 15-year mortgage in the amount of \$39,000,000.

On March 1, 2016, Pure Multi-Family, through the US REIT, acquired Pure Estates at TPC (“Pure Estates”), a multi-family apartment community, located in San Antonio, Texas, for a purchase price of \$56,500,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 8-year mortgage in the amount of \$39,000,000.

On September 14, 2016, Pure Multi-Family, through the US REIT, acquired The Avenue on Fairmount Apartments (“Avenue”), a multi-family apartment community, located in Dallas, Texas, for a purchase price of \$71,000,000, plus standard closing costs and adjustments. This acquisition was financed with cash and a new 12-year mortgage in the amount of \$43,000,000.

C. Disposals

There were no disposals of properties during the year ended December 31, 2017.

On November 4, 2016, Pure Multi-Family, through the US REIT, sold Livingston Apartments (“Livingston”), a multi-family apartment community, located in Dallas, Texas, for a sale price of \$34,300,000, less standard closing costs and adjustments. The mortgage payable, that was secured by Livingston, was paid in full as of the same date.

On November 17, 2016, Pure Multi-Family, through the US REIT, sold Fairways at Prestonwood (“Prestonwood”), a multi-family apartment community, located in Dallas, Texas, for a sale price of 22,800,000, less standard closing costs and adjustments.

The loss on disposal of investment properties is calculated as follows:

For the year ended December 31,	2017	2016
Sales price	-	\$ 57,100
Disposition costs	-	(1,484)
Net proceeds	-	55,616
Fair value of investment properties	-	(57,100)
Loss on disposal of investment properties	-	\$ (1,484)

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D. Valuations

Investment properties are carried at fair value. As set out in note 3(R), in arriving at their estimates of fair value, management and the independent appraisers have used their market knowledge and professional judgment and have not relied solely on historical transactional comparisons.

Independent appraisals were performed by accredited appraisers. Management reviews each appraisal and ensures that the assumptions used are reasonable and the final fair value amount reflects those assumptions used in the determination of the fair market values of the properties.

Pure Multi-Family does not obtain appraisals for each property at each reporting date. Where Pure Multi-Family does not obtain an appraisal for a specific investment property at the reporting date, management uses specific indicators (i.e. market conditions, discount rate changes, etc.) and determines whether a change in fair value has occurred. During the years ended December 31, 2017 and 2016, Pure Multi-Family obtained independent appraisals throughout the period on all of the investment properties it held at December 31, 2017 and at December 31, 2016, respectively. As disclosed in note 3(R), where appropriate, management incorporated these appraisals in its determination of fair value for each of the investment properties.

The significant assumptions made relating to the valuations of the investment properties are set out below:

	December 31, 2017		December 31, 2016	
	Weighted average	Range	Weighted average	Range
Capitalization rate	5.17%	4.75% - 6.00%	5.41%	4.75% - 6.00%

5. MORTGAGE RESERVE FUND

The mortgage reserve fund consists of cash on deposit requested by the lenders to be retained in escrow to pay for any repairs to the properties and certain costs. These funds will be released to pay the respective obligations or once certain conditions are met, such as completion of repairs. The term of the mortgage reserve fund is less than 12 months.

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6. MORTGAGES PAYABLE

	Nominal interest rate	Year of maturity	December 31, 2017 Face value	December 31, 2016 Face value
Valley Ranch	3.51%	2022	\$ 13,680	\$ 13,680
Prairie Creek	4.07%	2030	44,705	45,590
Bear Creek	3.45%	2019	32,080	32,080
Hackberry Creek	3.90%	2028	29,500	29,500
Deer Park	4.21%	2023	15,811	16,098
Fountainwood	4.46%	2023	12,278	12,511
Walker Commons	3.11%	2019	28,470	28,470
Preserve	3.26%	2021	23,983	24,479
San Brisas	3.26%	2021	16,554	16,896
Park West	4.02%	2030	36,500	36,500
Amalfi	3.83%	2027	45,000	45,000
Brackenridge	3.72%	2027	30,600	30,600
Pure Estates	3.96%	2024	37,824	38,484
Pure View	3.92%	2031	37,771	38,539
The Avenue	3.40%	2028	43,000	43,000
Creekside	3.98%	2027	20,000	-
Lansbrook	3.27%	2022	16,500	-
Park 28	3.84%	2032	14,850	-
Pinnacle at Union Hill	3.32%	2024	23,750	-
La Villita	3.81%	2032	24,400	-
Farmers Market	3.67%	2029	33,500	-
Total mortgages principal payable			580,756	451,427
Unamortized mortgage transaction costs			(4,503)	(3,600)
Total carrying value of mortgages payable			576,253	447,827
Less current portion			4,563	3,606
Non-current portion			\$ 571,690	\$ 444,221

The mortgages payable are recorded at amortized cost and bear a weighted average effective interest rate of 3.72% as at December 31, 2017 (December 31, 2016 – 3.74%).

The mortgages payable are secured by charges on Pure Multi-Family's investment properties.

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Principal repayments, as of December 31, 2017, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

2018	\$ 4,563
2019	66,716
2020	7,019
2021	44,286
2022	37,665
Thereafter	420,507
	<u>\$ 580,756</u>

7. CREDIT FACILITY

On November 28, 2017, Pure Multi-Family entered into a secured revolving credit agreement (the “Facility”), through the US REIT, with a total commitment available of up to \$50 million. The contract period is 3 years in duration and interest is calculated using the effective interest rate, which was 3.64% for 2017. Amounts drawn under the Facility will bear interest at a variable rate initially equal to: (i) LIBOR plus a margin ranging from 1.55% to 2.20% per annum, or (ii) a base rate plus a margin ranging from 0.55% to 1.20% per annum. As at December 31, 2017, a balance of \$26 million was outstanding. The Facility is secured by the Fillmore investment property.

	Face Value	Carrying Value
Balance as at December 31, 2016	\$ -	\$ -
Credit facility draws	29,000	29,000
Credit facility repayments	(3,000)	(3,000)
Credit facility financing costs	-	(245)
Amortization of transaction costs	-	7
Balance as at December 31, 2017	<u>\$ 26,000</u>	<u>\$ 25,762</u>

8. CONVERTIBLE DEBENTURES

On August 7, 2013, Pure Multi-Family issued 23,000 6.5% convertible unsecured subordinated debentures (each a “6.5% convertible debenture”) at a price of \$1,000 per 6.5% convertible debenture, for gross proceeds of \$23,000,000. The 6.5% convertible debentures mature on September 30, 2020 and are convertible at the holder’s option at any time into Class A Units at a conversion price of \$5.65 per Class A Unit, in accordance with the terms of the trust indenture dated August 7, 2013. On or after September 30, 2016, but prior to September 30, 2018, the 6.5% convertible debentures may be redeemed by Pure Multi-Family, in whole or in part, at a price equal to their principal amount plus accrued and unpaid interest thereon, provided the weighted average trading price of the Class A Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is at least 125% of the conversion price. After September 30, 2018, the 6.5% convertible debentures may be redeemed by Pure Multi-Family at any time. During the year ended December 31, 2017, 210 of the originally issued 23,000 6.5% convertible debentures were converted into Class A Units (December 31, 2016 – 10 Class A Units). At December 31, 2017, \$22,780,000 of the face value of the 6.5% convertible debentures was outstanding.

Pure Multi-Family REIT LP
Notes to Consolidated Financial Statements

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

The following summarizes the face and carrying values of the 6.5% convertible debentures:

	Convertible Debentures	Liability Component	Equity Component
	Face Value	Carrying Value	Carrying Value
Balance as at December 31, 2016	\$ 22,990	\$ 20,793	\$ 1,984
Conversion of convertible debenture	(210)	(191)	(19)
Amortization of transaction costs	-	181	-
Accretion of liability component	-	332	-
Balance as at December 31, 2017	22,780	21,115	1,965
Balance as at December 31, 2015	\$ 23,000	\$ 20,320	\$ 1,985
Conversion of convertible debenture	(10)	(9)	(1)
Amortization of transaction costs	-	168	-
Accretion of liability component	-	314	-
Balance as at December 31, 2016	\$ 22,990	\$ 20,793	\$ 1,984

9. PREFERRED UNITS OF SUBSIDIARY

During the year ended December 31, 2013, the US REIT issued 125 preferred units at \$1,000 per preferred unit for gross proceeds of \$125,000. On consolidation, the preferred units of the US REIT are reflected as a liability of Pure Multi-Family.

The preferred units are non-voting preferred units. Unitholders holding preferred units are entitled to receive dividends from the US REIT at a per annum rate equal to 12.5%, payable on June 30 and December 31 of each year. Unitholders holding preferred units will be allocated such return in priority to any allocations or distributions to all other classes and series of units of the US REIT. However, after payment of such return to unitholders holding preferred units, preferred unitholders are not otherwise entitled to share in the income of the US REIT.

The US REIT may redeem the preferred units at any time, for a price equal to \$1,000 per preferred unit, plus accrued and unpaid distributions.

Due to the fixed distributions and preferred treatment for preferred units, they meet the definition of a liability. In addition, the Board does not expect to redeem any preferred units within the next year. Thus, the preferred units are classified as non-current liabilities.

Pure Multi-Family declared distributions of \$15,625 during the year ended December 31, 2017 to the preferred unitholders (year ended December 31, 2016 - \$15,625).

10. PARTNERS' CAPITAL

A. Limited Partners and General Partner

The capital of Pure Multi-Family consists of an unlimited number of units of Pure Multi-Family and the interest held by the Governing GP. The Governing GP has made a capital contribution of \$20 to Pure Multi-Family and has no further obligation to contribute capital.

Pure Multi-Family REIT LP
Notes to Consolidated Financial Statements

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

On May 30, 2012, the Managing GP subscribed for 200,000 Class B units (each a “Class B Unit”) of Pure Multi-Family. On August 12, 2016, a Determination Event, as defined in the LP Agreement, occurred as a result of Pure Multi-Family’s market capitalization exceeding \$300,000,000 for a period of 10 consecutive trading days. Upon the occurrence of the Determination Event, the number of Class A Units, into which the Class B Units may be converted to, was fixed at 2,665,835. Pure Multi-Family has not issued any additional Class B Units.

As defined in the LP Agreement, the Governing GP has discretion to allocate revenue and expenses on a basis which ensures a fair distribution among unitholders. For the years ended December 31, 2017 and 2016, the Governing GP has allocated the revenue and expenses based on the weighted average number of Class A Units outstanding during the reporting periods and the respective Class B Units, per the Specified Ratio, as described in the LP Agreement. For the year ended December 31, 2017, 3.72% of net income was allocated to the Class B Units (year ended December 31, 2016 - 4.85%).

During the years ended December 31, 2017 and 2016, the following transactions not already disclosed in these financial statements occurred:

- (i) On April 7, 2017, Pure Multi-Family completed the closing of a public offering of 10,343,100 Class A Units on a bought deal basis, at a price of \$6.67 (CDN\$8.90) per Class A Unit for gross proceeds of \$68,938,208 (CDN\$92,053,590). Pure Multi-Family issued the Class A Units from treasury.
- (ii) On June 30, 2017, Pure Multi-Family completed the closing of a public offering of 10,281,000 Class A Units on a bought deal basis, at a price of \$6.76 (CDN\$8.95) per Class A Unit for gross proceeds of \$69,459,954 (CDN\$92,014,950). Pure Multi-Family issued the Class A Units from treasury.
- (iii) During the year ended December 31, 2017, 210 6.5% convertible debentures were converted at a conversion price of \$5.65 into 37,165 Class A Units. Pure Multi-Family issued the Class A Units from treasury.
- (iv) On July 29, 2016, Pure Multi-Family completed the closing of a public offering of 4,884,000 Class A Units on a bought deal basis, at a price of \$5.857 (or CDN\$7.64) per Class A Unit for gross proceeds of \$28,603,483 (or CDN\$37,313,760). Pure Multi-Family issued the Class A Units from treasury.
- (v) During the year ended December 31, 2016, the remaining 2,142,913 Class A Unit purchase warrants (each a “Warrant”) were exercised for 2,142,913 Class A Units at an exercise price of \$5.15 for gross proceeds of \$11,036,002 (year ended December 31, 2015 – \$283,250). Pure Multi-Family issued the Class A Units from treasury.
- (vi) During the year ended December 31, 2016, 10 6.5% convertible debentures were converted at a conversion price of \$5.65 into 1,769 Class A Units (year ended December 31, 2015 – \$nil). Pure Multi-Family issued the Class A Units from treasury.
- (vii) In September 2017, Pure Multi-Family received approval from the TSX Venture Exchange to commence a normal course issuer bid (“NCIB”), allowing for the purchase for cancellation of up to 1,000,000 Class A Units. The NCIB commenced on October 3, 2017 and will expire on October 2, 2018, or such earlier date as Pure Multi-Family completes its purchases pursuant to the NCIB. Purchases subject to this NCIB will be carried out pursuant to open market transactions through the facilities of the TSX-V by CIBC on behalf of Pure Multi-Family in accordance with applicable regulatory requirements. All Class A Units purchased by Pure Multi-Family under the NCIB will be returned to treasury and cancelled. During the year ended December 31, 2017, Pure Multi-Family did not purchase and cancel any Class A Units under the NCIB.

Pure Multi-Family REIT LP
Notes to Consolidated Financial Statements

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

	2017	2016
Class A Units outstanding, beginning of year	56,068,506	49,039,824
Class A Units issued, public offering	20,624,100	4,884,000
Class A Units issued, warrants exercised	-	2,142,913
Class A Units issued, debentures converted	37,165	1,769
Class A Units outstanding, end of year	76,729,771	56,068,506

Pure Multi-Family is authorized to issue an unlimited number of Class A Units and Class B Units.

B. Other Equity Items

	Convertible Debentures Equity Component (note 8)	Warrants	Total
Balance as at December 31, 2016	\$ 1,984	\$ -	\$ 1,984
Convertible debentures converted, equity portion	(19)		(19)
Balance as at December 31, 2017	\$ 1,965	\$ -	\$ 1,965
Balance as at December 31, 2015	1,985	680	2,665
Warrants exercised, net of offering costs	-	(680)	(680)
Convertible debentures converted, equity portion	(1)	-	(1)
Balance as at December 31, 2016	\$ 1,984	\$ -	\$ 1,984

11. INTEREST EXPENSE

Interest expense consists of the following:

	Year ended	
	December 31, 2017	December 31, 2016
Mortgage interest	\$ 19,572	\$ 16,159
Convertible debenture interest	1,477	1,498
Credit facility interest	85	-
Amortization of transaction costs and accretion of convertible debentures	970	968
Mortgage prepayment expense	-	1,174
	\$ 22,104	\$ 19,799

Pure Multi-Family REIT LP
Notes to Consolidated Financial Statements

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

12. INCOME TAXES

A. Current income taxes

Pure Multi-Family has recorded a provision for Canadian income tax related to Management Co of \$43,210 for the year ended December 31, 2017 (2016 - \$2,251), which is included in other income (expenses) in the consolidated statement of comprehensive income.

B. Deferred income taxes

No deferred income taxes have been recorded in respect of Management Co.

13. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

Cash provided by (used in)	Year ended	
	December 31, 2017	December 31, 2016
Amounts receivable	\$ 451	\$ (1,168)
Prepaid expenses	(1,492)	(413)
Accounts payable and accrued liabilities	12,167	1,503
Unearned revenue	782	168
Rental deposits	380	163
	\$ 12,288	\$ 253

14. CAPITAL MANAGEMENT

Pure Multi-Family defines capital as the aggregate of partners' capital, preferred units of subsidiary and long-term debt. Pure Multi-Family's objectives in managing capital are to maintain a level of capital that complies with investment and debt restrictions pursuant to the initial offering prospectus; complies with existing debt covenants, if any; funds its business strategies; and builds long-term partners' value. Pure Multi-Family's capital structure is approved by the board of directors of the Governing GP through its periodic reviews.

The LP Agreement provides for a maximum indebtedness level of up to 70% of the gross book value. The term "indebtedness" means any obligation of Pure Multi-Family for borrowed money (including the face amount outstanding under any convertible debentures and any outstanding liabilities of Pure Multi-Family arising from the issuance of subordinated notes, but excluding any premium in respect of indebtedness assumed by Pure Multi-Family for which Pure Multi-Family has the benefit of an interest rate subsidy), but excludes trade accounts payable, distributions payable to unitholders, preferred units of subsidiary, accrued liabilities arising in the ordinary course of business and short-term acquisition credit facilities. The LP Agreement defines "gross book value" as the book value of the assets of Pure Multi-Family plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets), the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by Pure Multi-Family. Pure Multi-Family's indebtedness is 53.4% as at December 31, 2017 (December 31, 2016 – 55.2%). Pure Multi-Family was in compliance with all of its investment and debt restrictions during the years ended December 31, 2017 and 2016.

There were no changes in Pure Multi-Family's approach to capital management during the year ended December 31, 2017.

Pure Multi-Family REIT LP
Notes to Consolidated Financial Statements

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

The capital structure consisted of the following components as at December 31, 2017 and December 31, 2016:

	December 31, 2017	December 31, 2016
Capital		
Mortgages payable	\$ 576,253	\$ 447,827
Credit facility payable	25,762	-
Convertible debentures	21,115	20,793
Preferred units of subsidiary	125	125
Partners' capital	518,607	370,162
Total capital	\$ 1,141,862	\$ 838,907

15. FINANCIAL INSTRUMENTS

Fair value of financial instruments

For certain of Pure Multi-Family's financial instruments, including cash and cash equivalents, amounts receivable, mortgage reserve fund, and accounts payable and accrued liabilities, the carrying amounts approximate the fair value due to the short-term nature of the instruments.

The fair value of the mortgages payable and preferred units have been calculated based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions. Discount rates are either provided by lenders or are observable in the open market. The fair value of the convertible debentures has been calculated using quoted prices in active markets.

The following table presents the carrying amount and fair value of Pure Multi-Family's non-current financial instruments:

	December 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages payable	\$ 576,253	\$ 547,121	\$ 447,827	\$ 440,116
Credit facility	25,762	26,000	-	-
Convertible debentures	21,115	23,919	20,793	25,151
Preferred units of subsidiary	125	125	125	125

Financial risk management

The board of directors of the Governing GP (the "Directors") has the overall responsibility for the establishment and oversight of Pure Multi-Family's risk management framework. Pure Multi-Family's risk management policies are established to identify and analyze the risks faced by Pure Multi-Family, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to Pure Multi-Family's activities.

In the normal course of business, Pure Multi-Family, through the US REIT, is exposed to a number of risks that can affect its operating performance. These risks include, but are not limited to, credit risk, interest rate risk, liquidity risk, currency risk and environmental risk. These risks, and the actions taken to manage them, are as follows:

A. Credit risk

Credit risk is the risk of financial loss to Pure Multi-Family if a tenant, customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Pure Multi-Family's receivables from tenants.

Pure Multi-Family REIT LP
Notes to Consolidated Financial Statements

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

Pure Multi-Family's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. Pure Multi-Family minimizes the risk by checking tenants' credit histories, requesting security deposits and initiating a prompt collection process. All trade receivables are current.

B. Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. Pure Multi-Family is exposed to interest rate risk from the interest rate differentials between the market rate and the rates used on these financial instruments.

Pure Multi-Family manages its financial instruments and interest rate risks based on its cash flow needs and with a view to minimizing interest expense. Whenever possible, Pure Multi-Family, through the US REIT, tries to secure fixed interest rate mortgages for the majority of its investment properties. As Pure Multi-Family does not have any mortgages maturing within the next 6 months and all of the mortgages payable bear interest at fixed rates, with only the outstanding credit facility bearing interest at a variable rate, Pure Multi-Family does not face significant interest rate risk in the context of its outstanding debt.

C. Liquidity risk

Liquidity risk is the risk that Pure Multi-Family will not be able to meet its financial obligations as they fall due. Real estate property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Pure Multi-Family's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Pure Multi-Family were required to liquidate the investment properties, the proceeds to Pure Multi-Family might be significantly less than the aggregate carrying value of such property.

Pure Multi-Family's approach to managing liquidity is to ensure that it will have sufficient cash available to meet its liabilities when due. In addition, Pure Multi-Family intends to refinance any mortgages which mature within six months.

The following table provides the future non-discounted scheduled payments of financial liabilities, including estimated interest payments:

	2018	2019	2020	2021	2022	2023 and thereafter
Mortgages payable (principal and interest)	\$ 25,906	\$ 87,208	\$ 25,878	\$ 62,565	\$ 54,102	\$ 502,282
Credit facility (principal and interest)	946	946	26,868	-	-	-
Convertible debentures (principal and interest)	1,481	1,481	23,891	-	-	-
Preferred units of subsidiary (principal and interest)	16	16	16	16	16	140,625
Accounts payable and accrued liabilities	25,498	-	-	-	-	-
Total	\$ 53,847	\$ 89,651	\$ 76,653	\$ 62,581	\$ 54,118	\$ 642,907

D. Currency risk

Pure Multi-Family is exposed to minimal currency risk since only a small portion of the expenses is in Canadian dollars.

E. Environmental risk

Pure Multi-Family, through the US REIT, is subject to various federal, state and municipal laws relating to the environment. On acquisition, Pure Multi-Family conducts environmental inspections of its properties and appropriate testing by qualified environmental consultants when required to ensure compliance with all applicable environmental laws.

16. RELATED PARTY TRANSACTIONS

Managing GP

Pure Multi-Family is related to the Managing GP, by virtue of having an officer and director in common (Stephen Evans).

Pure Multi-Family declared distributions to the Managing GP in the amount of \$999,688 during the year ended December 31, 2017 (year ended December 31, 2016 - \$989,687). Included in accounts payable and accrued liabilities at December 31, 2017 was \$nil (December 31, 2016 - \$nil) payable to the Managing GP.

Asset Management Agreement

Effective September 1, 2016, Pure Multi-Family terminated its Asset Management Agreement with the Managing GP, as permitted upon the triggering of the Determination Event. No penalties were incurred upon termination of the Asset Management Agreement.

Tipton Asset Group, Inc.

Tipton Asset Group, Inc. (“Tipton”) was the property manager for Pure Multi-Family up until September 30, 2017. Pure Multi-Family is related to Tipton by virtue of having an officer and director in common (Bryan Kerns) with a subsidiary of Pure Multi-Family. Tipton charged property management fees in the amount of \$1,858,703 during the year ended December 31, 2017 (year ended December 31, 2016 \$2,301,288). During the year ended December 31, 2017, Tipton charged due diligence and acquisition analysis fees of \$706,741 (year ended December 31, 2016 - \$nil), which were capitalized upon the acquisition of the related properties. Included in accounts payable and accrued liabilities at December 31, 2017 was \$nil (December 31, 2016 - \$nil) payable to Tipton.

Compensation

The Directors who are not affiliated with or employees of the Managing GP receive annual compensation, in addition to fees for attending meetings of the directors or any committee, and acting as committee chairs and members. As well, the Governing GP indirectly reimburses such directors for any out of pocket expenses, including out of pocket expenses for attending meetings. Pure Multi-Family reimburses the Governing GP for such amounts. In addition, Pure Multi-Family has obtained insurance coverage for such directors. Compensation is reviewed on an annual basis, giving consideration to Pure Multi-Family’s growth and the extent of its portfolio.

As part of the internalization of asset management, as described in *Asset Management Agreement*, certain key personnel of the Managing GP became corporate employees of a subsidiary of Pure Multi-Family effective September 1, 2016.

Key corporate personnel have the authority and responsibility for planning, directing and controlling the activities of Pure Multi-Family, directly or indirectly. Pure Multi-Family’s key personnel include the Chief Executive Officer, Chief Financial Officer, Vice Presidents and the Directors. Salaries, bonuses, directors’ fees and other short-term employee benefits and incentives are accrued when earned and are as follows:

Pure Multi-Family REIT LP
Notes to Consolidated Financial Statements

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

	Year ended	
	December 31, 2017	December 31, 2016
Salaries, directors' fees, and other short-term benefits	\$ 1,897	\$ 505

There was no unit based compensation expense incurred by Pure Multi-Family during the years ended December 31, 2017 and December 31, 2016.

17. LEASES

Property Lease Revenue

Pure Multi-Family, through the US REIT, has entered into lease agreements on its investment properties. The residential property leases typically have lease terms of 1 to 12 months. Future minimum rental revenue to be earned under non-cancellable operating leases is \$49,710,451 as at December 31, 2017 (December 31, 2016 - \$33,231,374).

Operating Lease Commitment

During the year ended December 31, 2017, Pure Multi-Family entered into an operating lease agreement, expiring in 2025 for the lease of the US REIT corporate office located in Plano, Texas, with total payments of approximately \$1.1 million required over the lease term.

18. FAIR VALUE MEASUREMENT

The fair value hierarchy of assets and liabilities measured at fair value on the consolidated statement of financial position or disclosed in the notes to the financial statements is as follows:

	December 31, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment properties	\$ -	\$ -	\$ 1,133,501	\$ -	\$ -	\$ 778,547
Mortgages payable	-	547,121	-	-	440,116	-
Credit facility	-	26,000	-	-	-	-
Convertible debentures	23,919	-	-	25,151	-	-
Preferred units of subsidiary	-	125	-	-	125	-

There have been no transfers between the levels during the year.

As disclosed above, the fair value methodology for Pure Multi-Family's investment properties is considered Level 3, as significant unobservable inputs are required to determine fair value. Refer to note 4 for a description of how management determines fair value and for further details of the average capitalization rates and ranges for investment properties.

Investment properties as at December 31, 2017 and December 31, 2016 have been valued using the overall capitalization rate ("OCR") method, an income based approach, whereby the stabilized net operating income is capitalized at the requisite OCR.

Valuations determined by the OCR method are most sensitive to changes in capitalization rates. The table below summarizes the sensitivity of the fair value of investment properties to changes in the capitalization rate at December 31, 2017:

Pure Multi-Family REIT LP
Notes to Consolidated Financial Statements

(tabular amounts expressed in thousands of United States dollars, except units and per unit amounts)

Rate sensitivity	OCR Sensitivity	
	Fair value	Change in fair value
+ 75 basis points	\$ 989,527	\$ (143,974)
+ 50 basis points	1,033,263	(100,238)
+ 25 basis points	1,081,057	(52,444)
Base rate (5.17%)	1,133,501	-
- 25 basis points	1,191,313	57,812
- 50 basis points	1,255,364	121,863
- 75 basis points	1,326,726	193,225

19. DILUTED EARNINGS PER CLASS A UNIT

The components of diluted earnings per share are summarized in the following tables:

	Year ended	
	December 31, 2017	December 31, 2016
Basic net income and comprehensive income	\$ 43,196	\$ 48,164
Dilutive interest expense ⁽¹⁾	1,989	1,980
Diluted net income and comprehensive income	45,185	50,144
Diluted net income and comprehensive income allocated to Class A unitholders	43,593	47,714
Diluted net income and comprehensive income allocated to Class B unitholders ⁽²⁾	\$ 1,592	\$ 2,430

Notes:

⁽¹⁾ Dilutive interest expense includes the removal of the interest expense related to the dilutive 6.5% convertible debentures.

⁽²⁾ Diluted net income and comprehensive income allocated to Class B unitholders for the year ended December 31, 2016 is anti-dilutive and therefore not shown on the consolidated statement of income and comprehensive income.

	Year ended	
	December 31, 2017	December 31, 2016
Weighted average number of Class A units - basic	68,926,987	51,553,540
Dilutive effect of the conversion of convertible debentures using the treasury stock method ⁽¹⁾	4,031,858	4,069,027
Dilutive effect of the conversion of warrants ⁽²⁾	-	116,435
Weighted average number of Class A units - dilutive	72,958,845	55,739,002

Notes:

⁽¹⁾ Conversion of 6.5% convertible debentures based on exercise price of \$5.65 per Class A Unit.

⁽²⁾ Conversion of warrants based on exercise price of \$5.15 per Class A Unit.

20. SUBSEQUENT EVENT

- A. On February 2, 2018, 10 of the remaining outstanding 22,780 6.5% convertible debentures were converted into 1,769 Class A Units.

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Unitholder Information

CORPORATE HEADQUARTERS

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Andrew Greig

Vice President, Investor Relations
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STOCK EXCHANGE LISTING

TSX-V: RUF.U (USD), RUF.UN (CAD)
RUF.DB.U, OTCQX: PMULF

ANNUAL & SPECIAL MEETING OF SHAREHOLDERS

May 24, 2018 - 11:00 am
KPMG, 777 Dunsmuir Street, 11th Floor
Sea to Sky Room

Board of Directors

Robert W. King, ICD.D

Chair and Independent Director
(AC, CC, NGC)

Stephen J. Evans

Director & CEO

Fraser R. Berrill, C.Dir, BA, LLB

Independent Director
(AC, CC, NGC)

Maurice (Maish) Kagan *, B.Com, CTA

Independent Director
(AC)

John C. O'Neill

Independent Director
(CC, NGC)

James L. Redekop

Independent Director
(CC)

James A. Speakman, ICD.D

Director
(NGC)

Sherry D. Tryssenaar, CPA, CMA

Independent Director
(AC)

Committee composition as at the date of this report.

* Maurice (Maish) Kagan joined January 2018.

AC - Audit Committee

CC - Compensation Committee

NGC - Nomination & Governance Committee



Stoneleigh at Bear Creek, Dallas, Texas



Vistas at Hackberry Creek, Dallas, Texas



Fountainwood Apts, Dallas, Texas

Management Team

Stephen J. Evans
Chief Executive Officer

Samantha Adams
Senior Vice President

Scott Shillington
Chief Financial Officer

Andrew Greig
Vice President, Investor Relations

Lee Ann Neumann
Executive Vice President, US Operations

2017 Distributions

Pure Multi-Family intends to make an annual cash distribution to unitholders of US\$0.375 per unit. Monthly distributions are paid on or around the 15th day following the end of each month.

	Per Unit (USD)
January	\$0.03125
February	\$0.03125
March	\$0.03125
April	\$0.03125
May	\$0.03125
June	\$0.03125
July	\$0.03125
August	\$0.03125
September	\$0.03125
October	\$0.03125
November	\$0.03125
December	\$0.03125
Total	\$0.37500

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